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THE INDEPENDENT

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TUESDAY 15 JULY 1997

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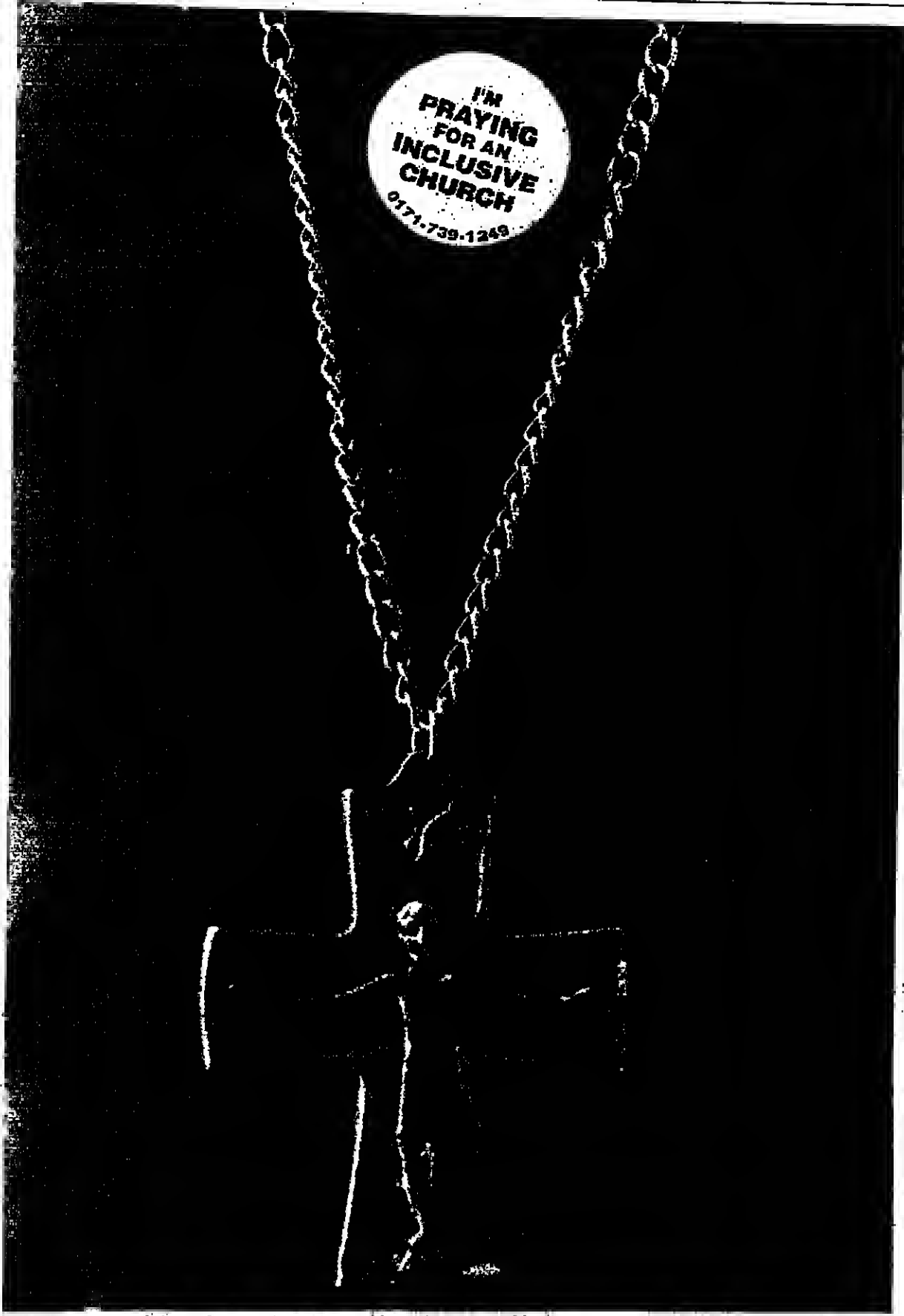


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Step forward: The General Synod agrees to re-examine gays in clergy

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Gays win key battles ... but they still can't go to war

Kathy Marks, Colin Brown and Michael Streeter

The advancement of gay rights went two important stages forward yesterday when the Government paved the way for the age of consent to fall to 16, in line with most other European countries, and the Church of England moved towards a more relaxed attitude to gay clergy.

But the more liberal intentions did not extend to the armed forces. Senior ministers said the Ministry of Defence will fight challenges in the European courts of justice and human rights over allowing homosexuals into the armed forces.

In the most significant of yesterday's moves, the Government confirmed it would not defend test cases soon to be heard by the European Commission on Human Rights which were seeking to make the age of consent for gay sex the same as for heterosexuals - currently 16.

This paves the way towards a free Commons vote, possibly this autumn, on lowering the age of consent, a move almost certain to result in a change in the law.

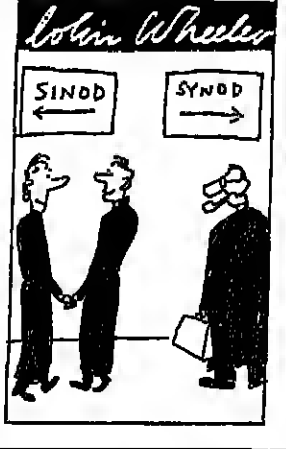
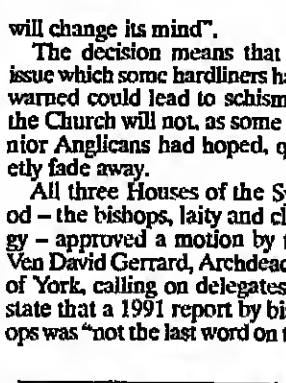
In highly-charged scenes in York, members of the General Synod holding the first debate on the issue for ten years voted for further discussion on the question of homosexuality among Church of England clergy.

The Archbishop of Canterbury, Dr George Carey, poured cold water on gay Christians' hopes for a more liberal approach, saying he did not "share the assumption that it is only a matter of time before the Church

Government will not contest age of consent case in Europe

Church edges toward more relaxed attitude on gay clergy

... but ban on homosexuals in the armed forces stays



will change its mind". The decision means that an issue which some hardliners have warned could lead to schism in the Church will not, as some senior Anglicans had hoped, quietly fade away.

All three Houses of the Synod - the bishops, laity and clergy - approved a motion by the Ven David Gerrard, Archdeacon of York, calling on delegates to state that a 1991 report by bishops was "not the last word on the subject". That document said that practising homosexuals could be lay members of the Church, but not priests.

The result was warmly welcomed by Richard Kirker, secretary of the Lesbian and Gay Christian Movement. "It represents a step forward for gay Christians seeking official acceptance at all levels of the Church," he said.

The Bishop of Oxford, the Right Rev Richard Harries, who

chairs a bishops' committee looking into the issue, said he was pleased that it would now be discussed at local level. "This is a crucial moral issue," he said.

The Bishop of Guildford, the Right Rev John Gladwin, who preached at the thanksgiving service for gay and lesbian Christians in Southwark Cathedral last November, said: "The debate can now go on in a more relaxed atmosphere."

The new approach on the age of consent, which was greeted with dismay and vitriol by some Tory MPs and family campaigners, came after the Government said it would not be contesting a case brought by Euan Sutherland, challenging as discriminatory the legal age of consent for gays at 18, when the case comes before the European Court of Human Rights.

The Home Secretary, Jack Straw, is also ready to fulfill a Labour manifesto commitment to allow a free vote on reducing the age of consent for homosexuals to 16, the same age as for heterosexuals, which could change the law next year.

Downing Street said the decision not to contest the case and settle out of court was taken last week following "very strong advice ... that we were going to lose this court case".

In the circumstances it seemed reasonable that the consequent amendment to the law should be "legitimised" by means of a free vote. Three years ago MPs voted in favour of lowering the age of consent for gays from 21 to 18, but against reducing it to 16.

Mothers and Sons; Synod's fresh look, page 3

Ages of consent				
Country	Male/Fem	FIF	MIM	Equal since
Belgium	16	16	16	1985
Finland	16	16	18	N/A
France	15	15	15	1982
Greece	15	15	15	1987
Italy	16	16	16	1889
Malta	12	12	12	1973
San Marino	14	14	14	1865
Slovenia	14	14	14	1977
Spain	12	12	12	1822
UK	16	16	18	N/A

Organ farms pose ethical minefield

Charles Arthur
Science Editor
and Alison Goddard

Laboratories will soon be able to grow human hearts and other organs from tissue taken at birth from babies, American scientists have announced. Their pioneering work, though, raises fresh problems for moralists and politicians sprinting to catch up with science.

In the logical conclusion of that research, scientists in the UK, Japan and US are trying to develop an artificial womb which could sustain an embryo in its full term outside a human body. Already, a team at Junendo University in Japan has used such a system to take a goat embryo from 40 days before birth to term. The first use would be for premature babies, they say.

Suddenly, the gap between what biological science can and cannot do has begun to shrink rapidly. While European MEPs will today debate a new law which could radically alter the laws over "ownership" of genes, a team of doctors at the University of Florida, Gainesville, is awaiting the outcome of yet another ground-breaking operation.

On Friday, for the first time, a paralysed man was injected with cells from aborted foetuses, in the hope that they will

help repair his damaged spinal cord.

But even such pioneering surgery could soon become mundane, overshadowed by work now being done internationally by teams who intend to use tissue taken from human babies or foetuses to grow new organs such as livers, pancreases, blood vessels and even hearts in the laboratory, ready for transplantation. Such *in vitro* organs could be ready in 10 to 15 years' time.

It's going to change the whole topology of the abortion debate

But the accelerating approach of these medical and scientific breakthroughs is catching many people unawares, and exposing ethical and philosophical dilemmas - such as whether a foetus has rights, and how they can be balanced with medical help for others.

The spinal operation in Florida was conducted on a man suffering from syringomyelia - a painful and ultimately fatal condition where holes develop in the spinal cord. It was injected with foetal spinal cord tis-

sues taken, with the mothers' permission, from foetuses aborted at between six and nine weeks. At that age, the nerve cells are still dividing; in adults, they do not, which is why spinal and brain injuries do not repair themselves.

The Department of Health said that in the UK, any use of foetal material would have to be cleared before treatment by the ethics committee of the hospital, adding it would probably be highly unlikely to be granted.

Peter Garrett, research director of Life, the anti-abortion group, said: "We oppose the use of aborted babies. We view the child in the womb as a person - this is functional use of parts of a person."

But he admitted that the eventual development of an artificial womb will pose enormous moral questions.

For example, it could mean that an "abortion" might not end the viability of a foetus. "You would still have abortion, but it would be ending the embryo of the unwanted child to the mother," said Mr Garrett. "I think that it's going to change the whole topology of the pro-life and pro-abortion debate: there will be those who are against interference in the 'natural' process of having a child, and those who are in favour of some things. It's going to look more and more strange."

'Artist' of death is jailed for 20 years



A self-portrait by Tadic exhibited in a London restaurant. Photograph: John Voos

Steve Crawshaw

Dusan Tadic, the biggest of the small fish so far brought to trial in The Hague, was sentenced yesterday to 20 years' jail for war crimes committed in Bosnia in 1992. The court talked of his "flagrant disregard for human life".

Tadic, a former café owner and police reservist, stood with a strained smile on his face as sentence was passed. He waved to his supporters in the public gallery as he was led away.

The sentence brought an angry response from Bosnian Serb leaders, with complaints about a "political sentence". Elsewhere, too, his supporters were ready to suggest that Tadic was a misunderstood man. In London, the Serb-born organiser of an exhibition of Tadic's paint-

ings argued: "A person who paints like this can't possibly be the person they have made him out to be. Personally, I've never come across a violent artist." (The example of the Austrian landscape painter who ruled Germany between 1933 and 1945 presumably did not come to mind.)

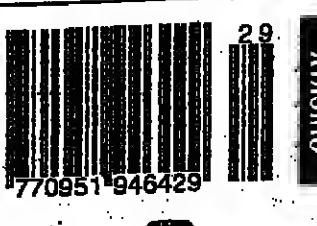
Above all, Bosnian Serb leaders are now worried that tougher action may follow against the string-pullers of the Bosnian war, including Radovan Karadzic and General Ratko Mladic, generally seen as main instigators of the murderous policy of ethnic cleansing.

When Tadic was first put on trial in 1995 after his arrest in Germany the previous year, there was little obvious enthusiasm at the United Nations war

crimes tribunal in The Hague. One of the judges involved with The Hague said: "He is not the level of person I would like to see at The Hague. I think they should have aimed higher up."

The US presiding judge, Gabrielle Kirk McDonald, spoke yesterday of Tadic's "sadistic brutality". But, although Tadic practised his cruelty at the notorious Omarska camp, few would tag him as a national ringleader. The court talked of the "virulent propaganda" of Serb nationalist leaders. But Ms McDonald noted that Tadic must take responsibility for his own actions. "To condone your actions even when committed in this context is to give effect to a base view of morality and invite anarchy."

Cook rides anger, page 13



'Road-rage' death claim
Tracie Andrews, accused of the roadside murder of her fiancé, Lee Harvey, told of their violent relationship and the "road-rage" race that led to his death. Page 5

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When a son breaks the news he is gay

**Shocked:
he was so
popular
with girls**

THE MOTHER'S STORY

Reports by Michael Streater

Ann Marie Blakey was shocked when her 16-year-old son Peter walked into the shop where she was working and "blurted out" that he was gay.

"I had never suspected he might be, he was always very popular with the girls," said Mrs Blakey, who works in a fruit and vegetable store in Consett, Co Durham. "He just blurted it out in front of everyone. I told him I couldn't get my head around it at work, that I'd talk to him that evening. I think he thought I was going to be angry with him."

After a night of tears and talking, the family began to come to terms with their only child's announcement. Mrs Blakey, 39, now looks at the arguments for lowering the age of consent for gay sex in relation to Peter's experiences, and unreservedly backs the call for equality.

"It was only later that I realised what Peter had been through at school, on his own," she said. "He told me other boys had a go at him, but I never knew."

"I think he has handled it very well and it shows he was mature enough. I'm very proud of him."

She added: "I can't believe it's right that a 16-year-old is not old enough to have a relationship with another man but is old enough to get a girl pregnant and run off and leave the child."

She said she had never suspected that Peter was gay until his announcement, and that he seemed to have many girlfriends when he was younger. "Obviously, looking back they were not that kind of girlfriend."

Many other young people who come out are less fortunate in the reaction of their parents, and Mrs Blakey has a message for such families. "Please do not throw your children out - keep the family together. Let them express their feelings, but remember they are still your children."

Elsewhere in the north-east, Pat Atthey knows just how badly parents can react to the news their children are gay.

She set up a support group for parents of gay and lesbian children, after being ashamed at her own reaction to the discovery her youngest son, Rob, was gay. "I just had



Ann Marie Blakey: "Peter has handled it very well I'm very proud of him"

stereotypes in my mind, like the John Inman character in [the television comedy] *Are You Being Served?* I thought that my normal young son - the youngest and my baby - was going to change in some way. "I didn't realise that Rob did not choose to be gay - it chose him."

Mrs Atthey said some parents felt "dis-

gusted and alienated" when offspring broke the news, though most of these were reconciled within a few months. "Parents, especially mothers, tend to want to blame something or someone. Often a mother will say, what have I done wrong, or differently from before? But everything falls into place if you accept that people don't choose it."

**A cry for
help: but
they took
it well**

THE SON'S STORY

Care worker Peter Blakey, now just 18, recalls with relief how his mother and father accepted the revelation that he was gay.

Speaking from his family home in Consett, Co Durham, Peter described the anguish he went through before revealing his true sexual orientation not long after his sixteenth birthday.

"It took me about a month to pluck up the courage to tell them."

"I told people at college straightaway when I went there in the September, but it was October before I told my mother. I never wanted to tell my dad because I thought it would finish everything, that it would end things between us."

"I went to see my mum at work during my lunch break and I just blurted it out. It was just like a cry for help on my part."

"I had no idea they would take it so well."

"I knew that for them it would mean no grandchildren, no weddings, no daughter-in-law and all that."

"Well, I suppose I thought mum would be all right about it, but not as good as she's been. Since then they've both been great."

Peter was pleasantly surprised how his straight friends at college - mostly female - had accepted his news.

"They seemed fine about it, they reacted as if they had always known. They talk about it quite openly."

However, one male friend in their group reacted differently. "We never told him about it directly, he just knew about it. He moved away from us."

Peter now supports the current move towards lowering the age of consent, even though he says some older men are particularly attracted to younger boys. "I think I can understand some of the concerns. I have been to places in Newcastle and Manchester and some of the older guys prefer the younger ones."

"But I'd known I was gay since about 13 or 14. The hardest thing, in fact, is coming out and telling people, not knowing your own mind," he said.

"Some guys around 16 or 17 are starting to experience what's going on, to see what it's like. I don't see any problem with that."

He takes a philosophical approach towards his sexuality. "As far as I'm concerned it's no



Peter Blakey: No idea his parents 'would take it so well' Photographs: Stuart Outerside

big deal. It's just the way I am, and it is simply a question of coming to terms with it."

Despite Peter's mostly positive experiences, a significant proportion of gay and lesbian youths - one-in-10 according to a 1990s survey - are forced to leave home because of their parents' reaction. Peter Mitchell, of the campaign group "Out-

Rage!", says a new phenomenon is that many gays and lesbians are coming out younger than ever, between 13 to 15 when sex would still be illegal under the likely changes in the law.

"No one's really picked up on this so far. These groups are still in danger of being criminalised," he said.

Synod decides to take a fresh look at old attitudes

Kathy Marks

The Church of England last night confronted the issue of homosexual priests for the first time in a decade, in a highly charged General Synod debate that exposed the gulf dividing Anglicans.

Both liberal and traditionalist speakers at the meeting in York warned that the issue could provoke a mass exodus from the church. The Archbishop of Canterbury, Dr George Carey, poured cold water on gay Christians' hopes for a more liberal ap-

proach, saying he did not "share the assumption that it is only a matter of time before the Church will change its mind".

The debate was prompted by a motion tabled by the Archdeacon of Wadsworth, the Ven David Geyrard, asking Synod to acknowledge that a document issued by bishops in 1991 was "not the last word on the subject". The document stated that while practising gays could take their place as lay members of the church, they were not welcome among the ranks of clergy.

In a moving speech, the Rev Michael

Vasey, a theology lecturer who has argued that homosexual acts are not forbidden by the Bible, denounced the church as hostile to gay Christians. He said that his evangelical opponents had made two attempts to "out" him. "In the first attempt, three people who are now diocesan bishops in this room were silent partners," he said. "The church is a place of danger for gay people. That is why we are leaving in droves..."

"So often the church has failed to lead in preventing or rectifying injustice. Indeed, some of our past and present teaching may

give some twisted and prejudiced people justification for their violent persecutions of gay people, however much we may deplore such actions."

Mr Gerrard asked delegates: "Is mere condemnation of homophobia sufficient while homosexuals, both lay and clergy, have often only been accepted in our churches if they have been prepared to remain invisible and inaudible?"

The Rev Malcolm Johnson, from London, added: "I find it obscene that happily married heterosexual bishops condemn their gay

clergy to celibacy. I believe we need an ethic for homosexuals other than 'stop it'."

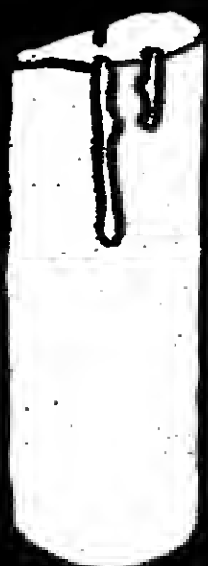
In response, Canon Max Wileby, from Bradford, said any modification of the church's stance would be damaging. He said: "If ever legislation is passed by this Synod which allows for practising homosexuals to be ordained, I am afraid that the number of clergy and lay people who will leave the Church of England will make the numbers who left over the ordination of women look infinitesimal." He was backed by Alison Ruffell, a lay delegate from Hertfordshire, who

said the Scriptures made clear that homosexual acts were unnatural and therefore wrong. "Homosexuals are not born as such; the choice to go on sinning is theirs," she said.

Dr Carey pleased hardliners by expressing uncompromising opposition to homosexual acts. "I do not find any justification, from the Bible or the entire Christian tradition, for sexual activity outside marriage," he said. Thus same-sex relationships in my view cannot be on a par with marriage. Clergy, especially, must model relationships that commend the faith of Christ."



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Tracie left the witness box and showed the jury how she still wore her ring

Steve Boggan

Tracie Andrews, the woman accused of the roadside murder of her fiancé, Lee Harvey, yesterday described their violent and tempestuous relationship and the "road rage" race that led to his death.

Giving evidence for the first time in her 10-day trial, Miss Andrews repeated her original claim that Mr Harvey was killed by the passenger of a dark blue Ford Sierra after a high-speed race down country lanes.

Asked by defence counsel, Ronald Thwaites QC, whether she had killed Mr Harvey after a row, as the prosecution has alleged, Miss Andrews replied: "No, I did not."

During a day of high emotion, Miss Andrews, 28, of Alvechurch, Worcestershire, told the jury at Birmingham Crown Court that her relationship with Mr Harvey, 25, was "very, very loving and stormy at times".

She described a number of occasions when Mr Harvey had been violent towards her and smashed doors, furniture and electrical goods at their home because he had been jealous who she had spoken to other men. He was also anxious - without foundation - that she might return to Andrew Tilston, the father of her six-year-old daughter, Karla, Miss Andrews said.

As a result, their relationship was almost permanently in a state of flux, with the couple separating and re-uniting on numerous occasions. Miss Andrews told the court that after one of Mr Harvey's violent rages, she had aborted the baby she was carrying, telling him she had suffered a miscarriage.

Despite the traumas of their relationship, Miss Andrews, a former model of Alvechurch, Worcestershire, told the court that she loved Mr Harvey and tried to commit suicide two days after his murder because she could not bear to live without him. She was allowed to leave the witness box to show the jury that she still wore her engagement ring.

Describing the events that led to Mr Harvey's death, Miss Andrews repeated the account she gave at a press conference shortly after the killing. The couple had been for a drink at the Marlbrook public house in



Tracie Andrews arriving for trial yesterday. She told the court she had an abortion after one of Lee Harvey's 'rages' Photograph: David Jones/PA

Bromsgrove on Sunday 1 December and were "on good terms" travelling home when Mr Harvey began swearing at another driver after an encounter with another car near the M42 roundabout.

"When the car came up at the side of us, Lee was doing gestures with his hand, and I saw the passenger of the car also making gestures," said Miss Andrews. Mr Harvey let the other car pass at the top of Coopers Hill, but it slowed

down and blocked the middle of the road. Miss Andrews said that first the driver of the Sierra and Mr Harvey got out and shouted at one another, prodding with their fingers, but the other driver returned to his car.

However, the passenger, "a big man with staring eyes", got out and approached Mr Harvey, calling him a "Paki bastard". The court had heard earlier that Mr Harvey had a swarthy complexion.

"I saw the passenger strike

out at Lee. I can't be sure how many times, but I would say it was more than once," said Miss Andrews. "Lee fell down on to the floor and that's when I got out of the car... Lee was lying down on the floor. Lying flat, he had his top half up a bit. I would say that he was supporting himself on his elbows as though he was lying on the beach. At that time the passenger was bent or crouched down by Lee."

She said she did not see any weapon in the darkness and she

denied that she had been carrying a weapon. When she approached the man, he called her a "slut" and punched her in the eye. Meanwhile, the driver was shouting "Come on, Jez, leave it."

Miss Andrews said she heard Mr Harvey make a gurgling noise and she covered him with her coat and rested his head.

"I can honestly say I really did not know what had happened to Lee," she said. "I knew he was in a bad way, but it all just

happened to quickly. I can't recall everything that happened. It's as though it was in a dream."

"I can remember saying 'Why can't I cry?' And I can remember saying 'Twenty-five minutes ago we were in the pub'."

Under cross-examination from David Cragman QC, prosecuting, Miss Andrews denied she had changed the route of the road rage chase because no one had reported seeing the "phantom" Sierra.

The case continues.

Speaker enters battle for Radio 4

Paul McCann
Media Correspondent

Betty Boothroyd, Speaker of the Commons, yesterday added her voice to the growing band of public figures lining up against James Boyle, controller of Radio 4, and his planned changes to Middle England's favourite radio station.

Miss Boothroyd told Labour MP David Winnick, who raised a point of order about planned changes to *Yesterday in Parliament*, that she would make representations to the BBC on behalf of the House. She said the concern expressed by members in all parts of the House was "shared by millions of people outside and I certainly share it myself".

She told Mr Winnick: "May I suggest that you may like to refer this matter to the Select Committee on National Heritage for them to have a look at. In knowing the views of this House, I will certainly make representations on behalf of the House to the BBC myself."

Reports at the weekend suggested that Mr Boyle plans to incorporate *Yesterday in Parliament* into the *Today* programme as a panel discussion slot.

Other MPs lined up to criticise Mr Boyle's plans - which have yet to be made official - and an early-day motion condemning any changes to the programme has already attracted 60 MPs' signatures. Gerald Kaufman, likely to be reappointed chairman of the National Heritage Select Committee, has also added his voice to the concerns.

The BBC acknowledges that Mr Boyle is taking on one of the most vocal and easily upset constituencies in the country. "For every programme there is

a constituency," said a BBC insider yesterday. "From *Parliament*, to the *National Farmers' Union* upset about *Farming Today*, to disabled lobbyists worried about *Does he Take Sugar* we are going to get it in the neck from all over."

Mr Boyle said earlier this year that he would not be "held hostage" by vested interests. However, it is apparent that he faces opposition from both inside and outside the BBC.

As soon as he made a presentation of his plans to senior executives last week they were leaked to weekend newspapers. Commentators such as Sir Roy Strong, former director of the Victoria & Albert Museum and Lord St John of Fawsley, in his capacity as a former arts minister, were immediately rolled out to condemn the proposals. When a listener offered on *Feedback* in 1994 to form a campaign to prevent Radio 4 long wave being turned over to an all-news service, 12,000 listeners immediately wrote offering to join.

This campaign has metamorphosed into Radio 4 Watch, which BBC insiders dismiss as a "self-appointed lunatic fringe". It takes more seriously the lobbying group Voice of the Listener and Viewer, which includes John Tusa and Sir David Puttnam as patrons.

To offset protest from listeners Mr Boyle, armed with a team of researchers, addressed the VLV in April about the thinking behind his programme review.

This prompted Jocelyn Hat, chairman of the Voice of the Listener and Viewer, to say that "programmes could not be set in stone" and warn only that changes needed to be made gently.

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politics

Scottish MPs face boundaries review

Colin Brown
Chief Political Correspondent

A review of parliamentary seats in Scotland could be ordered by the Government to answer criticism that the Scots will be over-represented at Westminster once they have their own Parliament.

A senior Cabinet source said that a review of parliamentary boundaries by the Boundary

Commission could be called to answer the charge by critics of Scottish devolution, who include some Labour MPs.

The source said it was not necessary to cut the number of Scottish MPs at Westminster, but a review would be certain to raise questions about the numbers with constituencies north of the border. A review of the Westminster seats was carried out in the last Parlia-

ment and a fresh inquiry would risk reopening some old sores. Ministers denied that the splits in the Cabinet committee on Scottish and Welsh devolution were as poisonous as some reports suggested, but the question of the powers for the Scottish Parliament is unlikely to be settled by the White Paper to be published next week.

The Home Secretary, Jack Straw, who led the so-called

English lobby against pressure to give the Scottish Parliament separate powers from the Westminster Parliament, hinted at the weekend that his group had won the argument.

Mr Straw, who is backed by Frank Dobson, the Secretary of State for Health, and Jack Cunningham, the Minister of Agriculture, said the White Paper would show that the integrity of the Union had been preserved.

The ministerial group ruled out giving the Scottish Parliament its own power to decide on legal curbs in Scotland over abortion. It was feared this would lead to a cross-border traffic in women seeking abortion.

But there will be significant powers for the Scottish Parliament, including the right to express a view on the appointment of broadcasting bodies in Scotland. Donald Dewar, Secre-

tary of State for Scotland, said some of the judgements made by the ministerial team would be controversial. Yesterday he reassured businessmen that the Government's plans for devolution and a Scottish parliament would bring them benefits.

Addressing 90 business leaders at a breakfast meeting in Glasgow, Mr Dewar pledged: "With the Scottish Parliament there will be new opportunities

and Scottish businesses will rise to that challenge. It will take advantage of the new opportunities offered by our clearer Scottish identity. And above all it will take advantage of the new opportunities to shape and influence policy by having a government closer to the Scottish people and closer to Scottish businesses."

Andrew Cubie, chairman of CBI Scotland - which has been sceptical of devolution - said:

"It is still our position that they must demonstrate real business benefits and opportunities rather than create additional costs and bureaucracy."

Meanwhile, the Scottish National Party's leader, Alex Salmond, protested at reported plans by the Government to move the proposed Scottish Parliament to Edinburgh City Chambers instead of the Royal High School in the city.

Slaughter hopes to become Labour's giant killer

Louise Jury

New Labour, new candidate. At the official launch of the Uxbridge by-election campaign yesterday the party introduced Andy Slaughter, who will fight the seat in place of the man who slashed a giant Tory majority to 724 votes in May.

David Williams, a local lecturer, fought the now marginal seat in west London at the general election. He has made clear his unhappiness that Labour's National Executive Committee did not even shortlist him this time round.

But as Gordon Brown, the Chancellor, stepped out alongside the new candidate in the constituency yesterday, the party was emphasising Mr Slaughter's "excellent" qualifications for the vacancy created by the death of the Tory Sir Michael Shersby. And Mr Brown was plugging all of his 10-week track record in office as a powerful vote-winner for the 36-year-old barrister at the poll on 31 July.

The Chancellor cited the new windfall tax spending on education and health, the cut in VAT on fuel and action for small businesses as reasons for end-



Major concern: Members of the Uxbridge Conservative Club mulling over the issues as the by-election campaign kicked off yesterday

Photograph: David Rose

ing 27 years of Conservative representation in Uxbridge - Mr Slaughter said they were taking nothing for granted. "We know that this is an uphill fight. But

we're going to put to the people of Uxbridge our record of the last two months." Mr Slaughter said: "I am delighted to have been selected by Uxbridge Labour party members to fight this seat on behalf of Tony Blair's new Labour Party."

Playing down tales of local dissatisfaction at his candidature, Mr Slaughter emphasised his experience in modernising Hammersmith and Fulham council in west London, where he is leader. "I have helped to improve people's quality of life. I can do the same in Uxbridge."

He dismissed the Liberal Democrat candidate, Keith Kerr, a British Airways manager at Heathrow, as out of the running. And he said: "The Conservatives under new leader William Hague are as much of a shambles as they ever were under John Major." But Lord Parkinson, the new Conservative Party chairman, gleefully picked on the selection row, claiming the decision to adopt Mr Slaughter demonstrated the "breathless arrogance" of Labour in government. He contrasted the Labour candidate with the Conservatives' John Randall, 42, the owner of a well-known Uxbridge department store founded by his great grandfather, Philip, in 1891.

"Labour had to show their

candidate where Uxbridge was on the map. He has been parachuted in," Lord Parkinson said. The row follows speculation that Labour will introduce a list of approved candidates for general elections, subjecting them to the same rigorous selection procedures used in by-elections.

The Conservatives also have plans under way to change adoption procedures and have scrapped their previous list of approved candidates. However, Lord Parkinson said any selection changes introduced by the Tories would not "ride

roughshod" over local wishes.

The by-election is an early popularity test for both the Labour government and Mr Hague. Some observers were surprised that the Conservatives chose Mr Randall rather than any one of a number of high-profile former MPs anxious to resume a career in the Commons. But the local association instead chose to rely on the appeal of a local man whose values, like his department store, are described as "old-fashioned".

The Liberal Democrats' campaign in Uxbridge was launched yesterday by Nick Harvey MP, the party's chairman of campaigns.

Mowlam lays out terms for talks

Anthony Bevins
Political Editor

Senior Government officials have given Sinn Féin a definitive reply on the terms for talks after its leaders initiated a number of contacts with the Northern Ireland Office, it emerged yesterday.

Mr Mowlam, Secretary of State for Northern Ireland, said: "It's not negotiations. I'm not talking to them. But if they want clarification then it will happen. I'm not hiding anything."

Formal talks between Sinn Féin and the Government were broken off following the murder last month of two policemen in Lurgan, Co Armagh.

But Sinn Féin has since made a number of phone calls, and wrote two letters to the Northern Ireland Office, on 20 June and 2 July, and a reply was sent on 9 July to the questions it had raised.

Speaking on Radio Ulster's *Talkback* programme, Ms Mowlam said: "What's important is that Sinn Féin cannot give any excuse that we have not clarified our position."

With multi-party talks on the future of Northern Ireland resuming today, the Ulster Unionists are putting strong pressure on Ms Mowlam to tighten the conditions for Sinn Féin participation.

Full-scale political talks are scheduled to start in September, and the Government has said that any IRA ceasefire must hold for at least six weeks before Sinn Féin is allowed into those talks - genuine "by word and deed" - otherwise, the process will go ahead without them.

"The talks will start on September 15, without them if there is no ceasefire," Ms Mowlam said yesterday.

David Trimble, the leader of the Ulster Unionists, said Ms Mowlam was subject to "wishful thinking", if she thought there could be a new and unequivocal IRA ceasefire.

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Heritage department is consigned to history

David Lister
Arts News Editor

Chris Smith yesterday ceased to be the Heritage Secretary and became the first Secretary of State for Culture, Media and Sport.

The Government decided to re-name the Department of National Heritage, Mr Smith said, as "the old name was backward-looking and did not do justice to the range of work we cover".

The new name does not do full justice either, as tourism also falls within Mr Smith's portfolio. But a spokesman at the Department for Culture, Media and Sport said yesterday that culture brings in tourists, so tourism came under culture.

It was also decided to transfer responsibility for the music industries from the Department for Trade and Industry to the DCMS.

Mr Smith said the department would be forward-looking and "promote everything from Beefeaters to Britpop".

He also announced an inter-departmental Creative Industries Taskforce, which will aim to improve economic performance in this area.

Its membership will include Virgin chief Richard Branson; film producer Sir David Putnam; the founder of Oasis's record label Creation Records, Alao McGee; designer Paul Smith; chief executive and UK chairman of publishers Random House, Gail Rebeck; Eric Salama, director of media advisers

WPP; and Janice Hughes of Spectrum Strategy Consultants.

Mr Smith said the taskforce would co-ordinate the activities of various Whitehall departments, boost wealth generation and employment in the industries concerned and increase "creative activity and excellence".

He added: "The Department for Culture, Media and Sport is a department for the future. It is about creativity, innovation and excitement. It is a department concerned with many of the things that affect people's day-to-day lives - like sport, television, films and the lottery - the things we talk about at work or at leisure."

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news

Branson joins war against tobacco

Jeremy Laurence
Health Editor

Britain's favourite entrepreneur yesterday pledged to put the weight of his financial empire behind the Government's drive to end tobacco sponsorship of sport.

Richard Branson, chairman of Virgin, said it was time to take on the tobacco barons and call the bluff of those who threatened an end to Formula One motor racing in the United Kingdom if tobacco money were withdrawn.

Mr Branson, appearing on a platform with Tessa Jowell, Minister for Public Health, at a government-organised anti-smoking summit, said Virgin would sponsor Indy motor racing in Britain as a substitute for the Grand Prix, if that were moved to another country.

Indy motor racing, which originated in the United States, involves racing round a banked oval track and is cheaper to put on than Formula One, Mr Branson added that Virgin companies would also be happy to step in with offers of sponsorship for other threatened sports such as cricket and snooker.

"I am absolutely convinced it is a bluff and the chances of it happening are small, but it is important the tobacco companies can't frighten the public into thinking they will lose their favourite sports," he said.

Mr Branson's remarks caught the mood of the meeting, attended by five ministers from three government departments and bolstered by assorted celebrities, who had come to hear anti-smoking experts from around the world before framing new proposals for legislation.

As a succession of speakers warmly congratulated the Government on its initiative, Ms Jowell declared: "I believe that when the histories of public health are written, what we start today will be recognised as the turning point in smoking in this country. From today, smoking starts to be history."

Ms Jowell said the aim was "fundamentally to change the position of tobacco in the public consciousness". Tobacco advertising and sponsorship

will be banned and the duty on tobacco will rise by 5 per cent in real terms annually (compared with 3 per cent under the previous government).

A White Paper to be published by the end of the year will also set out ministers' thinking on raising the minimum age for buying cigarettes from 16 to 18, and introducing new restrictions on smoking in public places. New measures to help people give up smoking, and prevent them taking it up will also be included.

Mr Branson, who is a trustee of the pressure group, Parents against Tobacco, called for a 3p a packet surcharge on cigarettes to provide a £120m anti-smoking fund to persuade the public of the health dangers.

Padraig Flynn, the European commissioner for employment and social affairs, said concerted action across Europe was essential to combat the power of the tobacco companies. Dr Sandy Macara, chairman of the British Medical Association, urged all those opposed to the tobacco industry to "join forces in a combined crusade against the corporate criminals".

The only group not represented at the meeting, the tobacco manufacturers, responded scathingly to Mr Branson's offer. A spokesman said: "He is putting his foot in a world about which he knows nothing. Indy racing... has nothing like the glamour of Formula One."

Motor racing drew 40 per cent of its sponsorship income from the tobacco industry, compared with 3 per cent for other sports, and there was a serious danger that the organisers of the British Grand Prix would take the event elsewhere if this source of funds were cut off. "With a potential worldwide TV audience of 900 million it doesn't matter if they are tearing round corners at Silverstone or in Taipei," he said.

Pregnant women who smoke more than 10 cigarettes a day risk having unruly, anti-social sons who may grow into criminals, researchers said. The claim arises from a study of the records of 177 boys aged seven to 12 who were referred for treatment for behaviour problems.



That sinking feeling: Windermere being lowered into its namesake lake. The craft will be able to carry 10 passengers as well its pilot. Photographs: Martin Ricketts/News Team

Tourists plumb the depths in Lakeland

Esther Leach

It wasn't exactly Trident, but the 25-tonne Mergo submarine impressed most who watched as it was swung by crane into England's longest lake.

The tourist submarine was dropped into Lake Windermere in Cumbria where it will cruise the depths looking for wrecks as well as studying marine life.

The submarine, aptly named the *Windermere*, carries 10 passengers, and is the first to operate on the lake.

The manager of the Lakeside marina, Les Micklethwaite, said: "The locals will have been expecting something like the *Tident*, which is built across the way at Barrow. This will seem like a duck to them."

"But we think it will stir a lot of interest and it's a welcome

addition to the steam cruises we have here."

"The only other unusual craft we've had on the water was a Sunderland flying boat that stayed for one summer season."

The owners of the craft, Paul and Jane Whitfield, have successfully operated a submarine on Loch Ness.

Mrs Whitfield said of the venture: "I hope we will be here permanently. We are going to spend a week exploring the lake and then choose a couple of suitable sites from which to dive. We will ferry passengers from the lakeside out to the submarine."

"We'll be looking for wrecks and exploring areas that are little-known and in many cases never seen before."

"We think it will work very well, complementing the new aquarium [marine life centre]

built here, and the steamers which cruise on the surface."

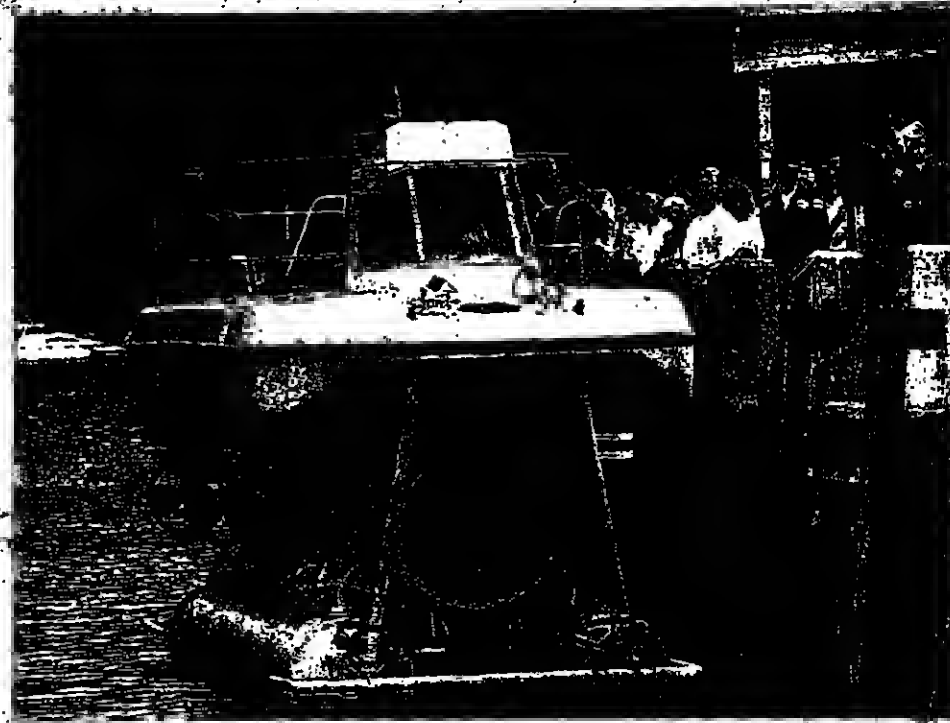
The submarine carries passengers and a pilot to a depth of almost 300 feet. It cruises at half a knot but can reach three knots when pressed. A single tour is likely to last an hour.

Mrs Whitfield added that marine life in Windermere was surprisingly varied.

"Fish life includes arctic char, trout, pike, stickleback, perch and eels. And there have been numerous stories over the years concerning boat wrecks and sunken aircraft."

"The waters may be deep and dark but they will present little difficulty because our submarine is designed to operate at depths of 300 feet and is fitted with powerful underwater lights and large view ports."

"Sonar equipment, cameras and scientific instruments, help



to locate and record any unusual targets."

The submarine will compete with an underwater walkway called "Tunnel With A View" at

the aquarium. It crosses the lake, allowing people to stroll among the boulders and pools, minnows and perch. Visitors will encounter stickleback, carp,

stone loach and bullhead in their natural habitat. It also offers a fish-eye view of other and pike, king of the predatory freshwater fish.

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Schools hit reading standard target

Judith Judd
Education Editor

Reading standards among eight-year-olds in Birmingham, one of the local authority models for the Government's literacy drive, have risen during the last two years.

The city, whose chief education officer is Professor Tim Brighouse, has pioneered school targets and a series of initiatives to spread effective teaching methods. School targets and the spread of good practice are at the heart of the Government's strategy for raising standards disclosed in a White Paper published last week.

In a report to Birmingham's education sub-committee, Pro-

fessor Brighouse, who is vice-chairman of the Government's new standards task force, points to an improvement in eight-year-olds' reading performance between spring 1995 and this year. However, one in eight children still has a reading age two or more years below his or her chronological age.

Nearly 2,500 children in 50 representative city primary schools were set tests designed by the National Foundation for Educational Research, and marked by their teachers.

The children's raw scores were compared with the scores achieved by children of the same age nationally and then converted into standardised scores. A standard score of 100

represents the national average. In 1995, the average score by Birmingham children was 93. By spring this year, it was 97.

The report says: "Importantly, most of the improvement has been in reducing the proportion of children in the lowest reading bands."

Two years ago, the city introduced a "primary guarantee" under which schools set their own targets in return for support and funding from the local authority.

There was also "a year of reading" during which schools were encouraged to focus on literacy. Teachers have been offered extra training, and a survey of teaching methods was carried out earlier this year

with the results being sent to all primary schools.

Standards have improved for all children, including those from ethnic minorities and those on free school meals. "However, differences still remain with children with first languages other than English and children from disadvantaged backgrounds tending to perform less well."

Children who had received nursery education did better than those who had not.

The report says the results must be treated with caution because this is the first time reading standards in the city have been compared in this way. National research published recently by the National Founda-

tion for Education Research suggests that reading standards have remained much the same for the last 50 years. There was a slight drop in the late Eighties before they returned to their previous level.

Professor Brighouse said he was delighted with the results which reflected schools' efforts. "However, we are not being complacent. We realise that we are still below the national average and there is work to be done. Targets are being set by schools for the year 2000 in an effort to continue this improvement in reading standards."

Ministers have set a target for 80 per cent of 11-year-olds to reach the expected standard in English by 2002.

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All is not well in deepest London as the waters rise ever upward

Nicholas Schoon
Environment Correspondent

Companies worried about London's rising groundwater are about to ask the Government to start serious planning on how to pump large quantities out of the city.

Rain or shine, drought or flood, the water table beneath London has been rising for 30 years – by up to three metres a year. It already poses a threat to the London Underground, and in the next century it could start to move entire buildings.

The reason is that people take far less water from the aquifer beneath the centre of the capital than they used to. The water table is returning towards its original, natural level much nearer to the surface.

A committee chaired by London Underground has been monitoring and planning research into the threat for four years. It includes representatives of property and insurance associations, Thames Water and British Telecom, which has deep-level cable ducts at risk.

Mike Gellatley, infrastructure systems engineer for London Underground, said the group was poised to send a position statement to ministers. "We think the time has come for a single pumping strategy headed by one accountable body, perhaps the Environment Agency." About 30 million litres a day would have to be removed.

The Tube network, first in the firing line, has had to put increasing effort into monitoring the inflow of water and pumping it from its tunnels. Worst affected is the southern end of the Northern Line towards Tooting Bec, where the water table has almost reached the surface.

Water tables are rising under several other large European cities too, including Birmingham.

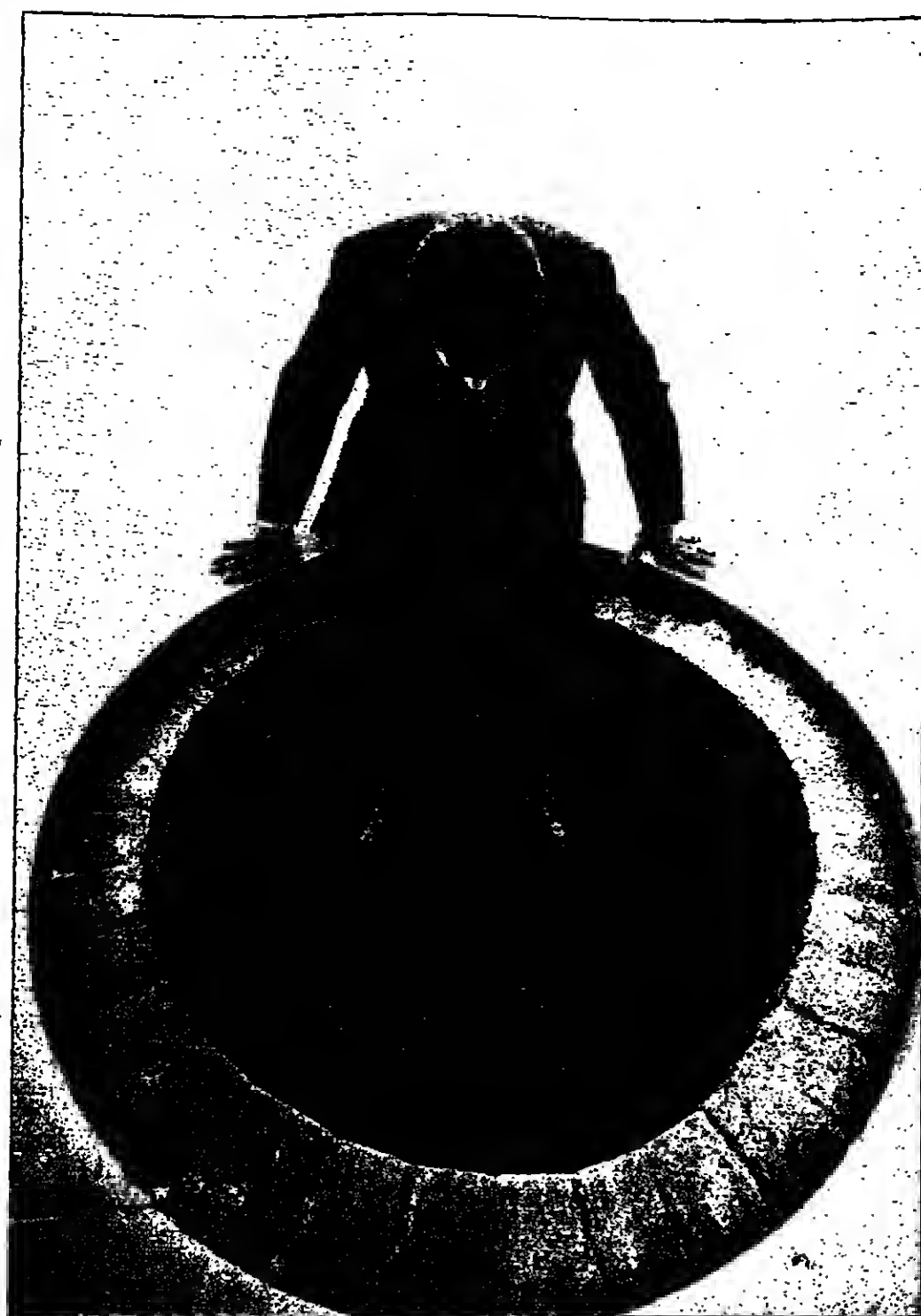
As the water rises it saturates the clay sitting on top of the chalk aquifer. That may alter the way in which it supports large buildings constructed on top of piles sunk deep into the ground.

Vinn Robinson, principal hydrogeologist with the Thames region of the Government's Environment Agency, advocates a detailed study to see how buildings in one small area of central London might be affected.

"At this stage, I don't think many buildings are likely to settle," he said. "But it would only take damage to a few to justify the expense of a pumping strategy to stop the groundwater rising further."

Thames Water will come under pressure to use this pumped out water for public supply, helping solve worsening water shortfalls at the same time.

But Mr Robinson conceded this was not economically attractive. Exploiting the rising water would require several pumping stations, and extensive treatment to make it drinkable, in return for meeting only a tiny proportion of the capital's daily needs.



On the up: Adrian Bagnall of estate agents Hurford Salmi Carr peering into the well of a property in Clerkenwell in central London. A sharp fall in the amount of water drawn from the capital's aquifer has led to a potentially hazardous rise in the water table (see table, above). Photograph: Philip Meech

There used to be hundreds of boreholes and wells in the square mile of the City of London alone.

Manufacturers and businesses such as landfills and breweries pumped huge quantities of water up from the underlying rocks and it was

common for large office buildings such as the Bank of England to have their own supply. The water table was as low as 90m below ground level in central London in the 1960s as a result.

It was deepest below the West End, with the water table tending

to rise the further one moved out from the centre. In the outermost suburbs, it had only been drawn down a few metres. By the 1960s, however, the heavy water users had moved away and businesses and housing left in the centre relied more and more on piped supplies.

Gulf War syndrome research stepped up

Christopher Bellamy
Defence Correspondent

The Government yesterday announced a 20-point plan to increase the practical help given to victims of Gulf War illness and a "new beginning" to finding out what had happened to them.

In the last six months the number of British servicemen and women reporting unexplained symptoms has increased from 1,100 to 1,800.

John Reid, the Armed Forces minister, told Parliament he was setting out a comprehensive strategy for dealing with veterans' concerns and finding out what caused the illness or illnesses. He remained convinced that although mistakes might have been made, they had arisen from the best motives. "We question no one's motives," he said. "We took what measures we thought to be necessary to protect our troops."

He also said he supported the British system of "no-fault compensation", paid as part of war pensions, which are given independently of any other service pensions. So far, 1,265 Gulf War veterans have applied for war pensions including 295 for symptoms arising from Gulf War illness. So far, 134 have been awarded to these applicants.

Gulf veterans welcomed yesterday's announcement which met their demands for speeding up research, particularly into the vaccinations against biological warfare agents – bubonic plague, anthrax and whooping cough – which many think may be to blame.

Yesterday's MoD statement said that in 1990 – before the Gulf War – the Department of Health had reported that mice which had been given anthrax and whooping cough vaccine together in a test at the Na-

tional Institute of Biological Standards and Control had suffered serious weight loss and illness. The data is no longer available, because the NIBSC destroyed it. Dr Reid has ordered a renewed investigation.

Tony Flint, who served in the Gulf and is now suffering from a form of glandular fever, emphysema, nerve damage and weight loss, said yesterday he thought the vaccines "were going to be the biggest culprit". He added: "The reason we've come to that conclusion is because the commander of the French forces refused to allow any of his men to have the vaccines or any of the anti-nerve agent tablets and nine of them were ill."

The Government said it will roughly double to £6.5m over the next three years its spending on investigations into the mysterious illness or illnesses, including £2.25m of research at the Chemical and Biological Defence Establishment at Porton Down.

Among the 20 points announced yesterday are new studies into the combinations of vaccines and anti-nerve gas tablets given to troops. The Government has also recalled the RAF doctor, Group Captain Bill Coker, who conducted the first investigations into Gulf War illness.

Dr Reid said: "We will ensure Gulf veterans have prompt access to medical advice and we will ensure the MoD make available to the public and, in particular, Gulf War veterans, any available information."

Among the new measures announced are studies into the effect of the simultaneous inoculations against anthrax and whooping cough given to all troops serving on land. The latter was administered as an "adjuvant" (an accelerating agent) to enhance the anthrax vaccine.

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Richard Brown

On Sunday, Hizbollah men opened fire on an Israeli patrol inside Lebanon from a distance of only 30ft, killing Israeli Major Nadav Milo. In revenge, Israeli guns fired shells into the village of Jarjoua, wounding 10 civilians. One of them, seven-year old Ali Mougallid, lost an eye. Israeli troops have meanwhile lost 12 men since the beginning of the year in escalating Hizbollah attacks; another 51 were wounded. All were hit in their occupation zone inside Lebanon.

The Palestinian bid for membership is partly based on Britain's historic link with Palestine - and therefore serves as a reminder why Britain should be interested in the region. Some Commonwealth diplomats even suggest that Israel might seek to join in due course. That still seems implausible. Britain may, however, find itself propelled closer to centre stage, in the tangled attempts to find a long-term peace settlement in the region.

Among Mr Dimbleby's most serious charges, evidently made on the basis of information supplied by Mr Patten, are allegations that senior Foreign Office officials colluded with China to rig a 1987 Hong Kong public consultation exercise into a representative government. The alleged aim was to show that there was no support for democratic government, allowing ministers to wriggle out of their promise to boost representative government. Mr Patten said he said to have discovered this only on his departure from Hong Kong.

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Spaniards pour out contempt for Eta murderers

Elizabeth Nash
Ermua, Basque Country

The unprecedented tidal wave of grief and anger that has engulfed Spain in recent days roared again yesterday with the funeral of Miguel Angel Blanco, the young local politician shot dead last week by ETA gunmen, and the rallying of hundreds of thousands last night in Madrid and Barcelona.

The Prime Minister, Jose Maria Aznar, the heir to the throne, Prince Felipe. Cabinet ministers, three former prime ministers, military top brass and union leaders joined thousands in the Basque village of Ermua for the funeral, led by the Bishop of Bilbao.

Special trains were laid on to bring people from throughout the Basque Country to this hamlet so insignificant that its railway halt bears no name. Mourners gathered patiently in the drizzle all morning outside the village church.

There were, perhaps, fewer tears than in the days since Miguel — as multitudes across the land have taken to calling him — was found dying, face down in a wood, with two bullets in his skull on Saturday.

His mother, sister and fiancée wept and almost collapsed as they made their way to the church through crowds which did not stop applauding. An elderly man in a black Basque beret who had put me off at the right station said: "I had to come today. I did not accompany my children and grandchildren to Saturday's big demonstration in Bilbao, because my breathing is bad." He added: "These assassins have destroyed everything."

The Bishop of Bilbao, Ricardo Blasquez, said: "Terrorism has shown its face, cold and rapacious."

The midday start of the service was marked by a nationwide stoppage of 10 minutes, an hour in the Basque Country.

The cast of dignitaries included Adolfo Suarez, Leopoldo Calvo Sotelo and Felipe Gonzalez — former prime ministers who between them guided Spain from dictatorship to democracy. They led the crowd that followed the cortege for two miles through the streets and up into the misty pine-covered hillside, gashed by a vast slate quarry, to the cemetery.

Clapping and shouts of "Miguel, si, ETA, no," and "Asesinos!" reverberated off the blocks of flats decked in black. Some mourners held their hands behind their necks — indicating ETA's preferred target — and shouted "Here's my neck." A poster hung from the gates of a cement works read: "We are all Miguel Angel."

Spaniards have become used to ETA terrorism. Attacks on politicians, judges, policemen and ordinary folk in the wrong place have become absorbed into the political landscape. More than 800 have been killed since Basque separatists took up arms against Franco in the mid-Sixties — 12 since Mr Aznar came to power last year. He miraculously escaped a car-bomb attack that left his armour-plated vehicle a smouldering heap.

Measures to combat Basque terrorism have ranged from death-squads to attempts at dialogue. The Basque country has, meanwhile, achieved more autonomy than any region in Europe. Nothing has had much effect on ETA. Immune to repression and blandishment, it remains intact and effective, conserving a hard core of support. The pro-ETA Herri Batasuna (HB) party wins up to 15 per cent of the Basque vote.

Now suddenly for the first time the accumulated pain and fury erupted at the weekend in a universal cry of "Basta ya!" — enough. It is an extraordinary moment.



The cold-blooded violence of Mr Blanco's death is partly the reason.

ETA seized a young councillor from a small working-class community and threatened to kill him within 24 hours. And they did. They had demanded the relocation of ETA prisoners nearer the Basque Country.

something the government refuses to do. ETA kidnapped a prison officer, Jose Antonio Orriza Lara, 18 months ago and kept him in an underground cell for the same reason. When Civil Guardsmen freed him a fortnight ago, from what is called in Basque *zulo*, which means "hole," his condition —

stooped, emaciated and barely conscious — shocked the nation and tempered the relief at his release. The horror of Mr Blanco's death, shortly after, was too much to bear.

Government reactions have been cautious. They have called for the "isolation" of HB but not, so far, its banning. Talks,

however, covert and mediated, are unthinkable for the moment. A military clampdown would be useless and counter-productive. But in conditions where all options have been tried and failed, a transcendent new factor has emerged. Spaniards have risen up and cast off their fear.



The coffin of Miguel Angel Blanco being carried by family members yesterday (left) as mourners display signs saying 'No more' Photographs: AFP, Reuters

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Chirac fails to quash label of lame duck

Joanna Lee
Paris

Jacques Chirac, interviewed yesterday for the first time since his right-wing coalition's electoral defeat on 1 June, has failed to relieve the impression that he is now a lame-duck president.

The television interview, transmitted from the Elysee Palace, was an attempt to improve the President's credibility, battered by the Socialist electoral victory in a poll which Mr Chirac had called a year earlier than he needed to.

But the Gaullist head of state missed the opportunity to stamp his authority on the "cohabitation" arrangement with the new Prime Minister, as his predecessor, Francois Mitterrand had done when he found himself in the same position — with Mr Chirac as premier — in 1986.

In an interview then, Mr Mitterrand used the opportunity to announce his refusal to accept the new government's proposed privatisation plans, indicating that he had no intention of relinquishing any of his power or authority to his cohabitation partner and rival.

Mr Chirac's performance was not so convincing. Questioned on defence, Europe, justice, immigration, privatisation, social reforms and the economy, for more than an hour, the President failed to offer anything that was very new, different or likely to improve his credibility.

Though fluent and fairly convincing on the some less controversial topics, such as the enlargement of Nato, he was at



President Chirac: In an uneasy partnership

times irritable and defensive. The workings of the cohabitation also remain fairly vague. Although, when pushed, the President said he believed that it would work, it is unclear on what grounds this belief is based. And when he was asked who would take the final decision on entry into the single currency, he simply refused to answer.

Mr Chirac clearly wishes to pursue the policies established by his government over the last two years. However, if Mitterrand managed to retain a strong position during his two separate periods of cohabitation, between 1986-88 and 1993-5, it was thanks in large part to his political guile and skilful handling of the situation. Mr Chirac's position is a much weaker one: he is widely blamed for the electoral defeat, he is unpopular, and, unlike Mitterrand, he is faced with five years of cohabitation — the remainder of his political mandate.



هكذا من الرجل

Cook rides Russian anger over arrests in Bosnia

Rupert Cornwell
Moscow

A still-smarting Russia yesterday warned against any repeat of last week's British-led operation by Nato to arrest two alleged Bosnian Serb war criminals. It denounced the action as destabilising, counter-productive, and outside the mandate of the international peace-keeping force in the former Yugoslav republic.

Speaking after an otherwise harmonious meeting with his visiting British counterpart, Robin Cook, the foreign minister, Yevgeny Primakov, left no doubt of Moscow's anger at not being consulted over the move against members of a Serb community with which it has deep historical and cultural ties. "We were not notified about the specifics and we weren't even notified in general that things of this kind could take place."

Mr Cook, however, kept his promise before this first foray to Russia by a member of the new Labour government, that he would be "diplomatic but unrepentant" over the strike by British special forces. He was "unaware" of any further sealed indictments against suspected war criminals in the British sector of Bosnia, but refused to rule out more arrests should they be requested.

He also welcomed the 20-year sentence handed down yesterday in The Hague against Dusan Tadic, the first Serb to be convicted of atrocities in the Bosnian war, saying it sent a clear message that there would be "no escape" from sentences which matched the crimes.

Left unchecked, however, the argument over Bosnia – and

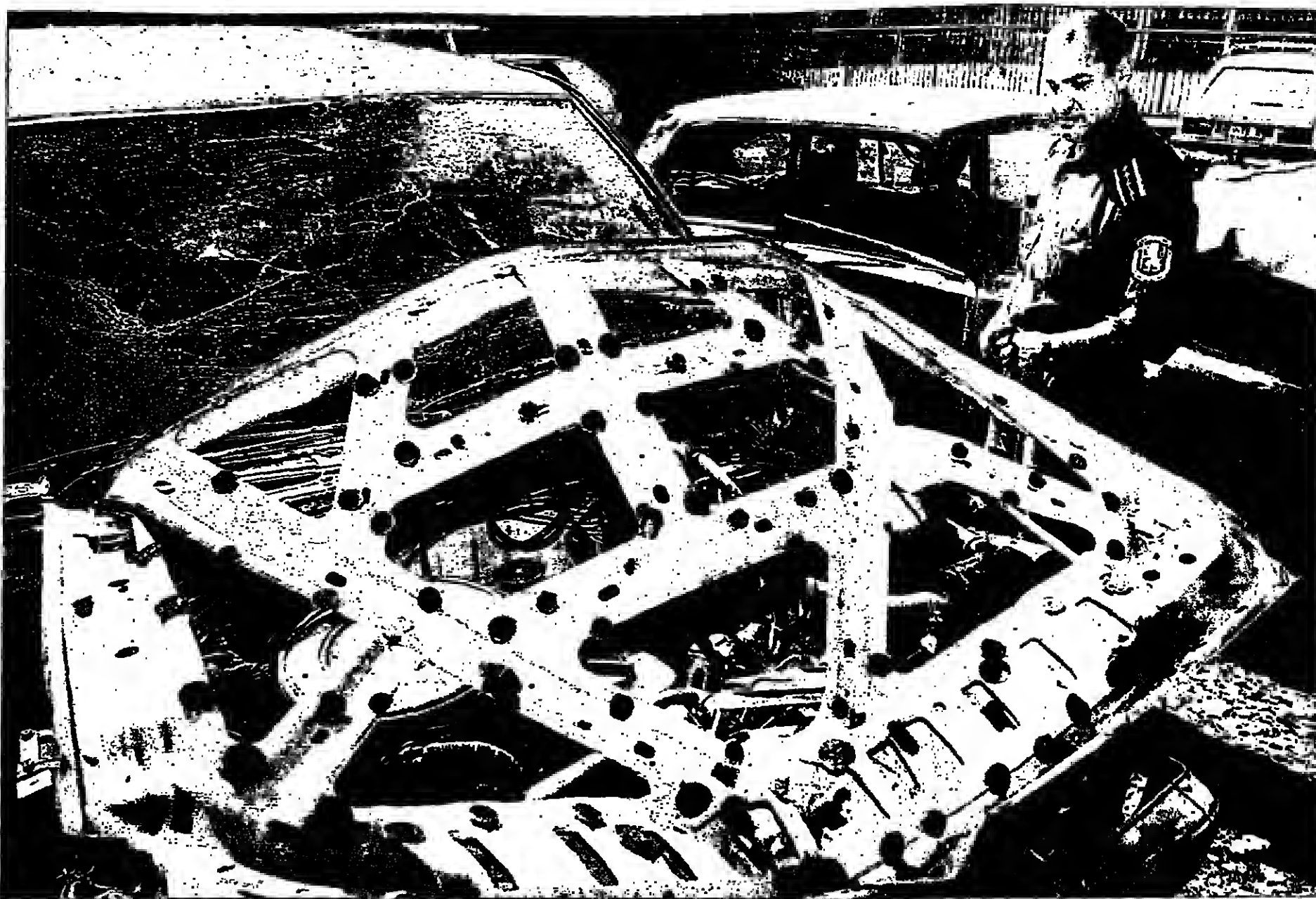
certainly any moves by Nato to apprehend either Radovan Karadzic or Ratko Mladic, authors of ethnic cleansing in the Muslim Republic and top of the most-wanted list – could torpedo efforts to build closer political and military links between Nato and Russia through the new Joint Council, whose first ministerial session is scheduled for New York this September.

Russian politicians see the body as a symbol of defeat for Moscow in its attempt to block Nato's recent expansion. But Britain wants to use it to knit the Russian military more closely into future peace-keeping missions, to monitor progress by Russia in eliminating tactical nuclear weapons, and to keep tabs on technology shipments by Moscow to countries like Iran which might violate existing arms proliferation agreements.

Mr Primakov also signalled displeasure over any effort to include the three former Soviet Baltic republics of Lithuania, Latvia and Estonia in Nato's next round of expansion, which could take place in two years.

Here, Mr Cook was more accommodating of Moscow's fear that the United States, pressed by vociferous ethnic Baltic groups, might be edging towards just such a decision – which would bring the alliance within a few miles of St Petersburg, Russia's second city.

Ruling out any question of a Russian veto over new members, Mr Cook stressed that further enlargement was "some way down the track", and that this month's deal to admit Poland, Hungary and the Czech Republic was a mouthful Nato would need some time to digest.



Write off: An International Police Task Force officer inspecting a vehicle damaged in the blast on Sunday in Zvornik, Bosnia, near the Serbian border. Photograph: Emil Vas/Reuters

Bomb blast raises fear of reprisals

Christopher Bellamy
Defence Correspondent

Bosnian Serb anger at actions by the international stabilisation force (S-For) in Bosnia against war crimes suspects erupted on Sunday night when a bomb blast destroyed a vehicle belonging to the Organisation for Security and Co-operation in Europe (OSCE) monitoring mission in Zvornik.

The bomb blew windows out of the building housing three international organisations, destroyed one OSCE vehicle and damaged another. But S-For

sources said they thought it was an "isolated incident".

Zvornik, is on the other side of Bosnia from Prijedor, where British SAS troops killed an indicted war crimes suspect – former police chief Simo Drijaca – on Thursday. Another suspect, Milan Kovacevic, wanted for atrocities at the Omarska concentration camp, was taken alive, and is now in The Hague awaiting trial at the international war crimes tribunal.

"We do not see a widespread, orchestrated security problem. We see isolated incidents," said Duncan Bellamy, spokesman for

Carlos Westendorp, the High Representative to Bosnia. Until Sunday night, the Bosnian Serbs were restrained in their reaction to S-For's first seizure of war crimes suspects. And although Bosnian Serb leaders, including the elected president, Biljana Plavsic, condemned the arrests, they, too, appealed for calm.

Drijaca was buried on Sunday, and the emotion generated may have triggered the bomb attack. But yesterday the situation in the area where Drijaca was killed, while still tense, was sufficiently calm for British troops deployed for his funeral to be withdrawn, Ms Plavsic, who was elected last September, has come under increasing criticism from opponents in the Bosnian Serb republic. Yesterday she rejected attempts by nationalist rival, Momcilo Krajcnik, to step down. She said she would continue her crusade against corruption and to "establish a state ruled by law".

The OSCE supervised the elections and may have been an appropriate, as well as soft target for Ms Plavsic's opponents.

Until Thursday, S-For had avoided seizing war crimes suspects for fear of provoking armed resistance from the local parties. But the presence of wanted war criminals has threatened the elected authorities. Although the move to go and seize two war crimes suspects was risky, S-For sources yesterday stood by their actions.

"These were very obvious individuals. They were relatively easy to get," said a diplomatic source. "The question now is do you go to and get the rest or let them sweat?"

S-For believes the swoop on Thursday was worth the risk, even though it has alerted the 67 publicly indicted war crimes sus-

pects still at large, and also about six who are subject to "sealed indictments". The big fish – Radovan Karadzic and Ratko Mladic – are now being doubly cautious. Karadzic is believed to be at home, near Pale, in the French sector. Mladic is reported to have taken a holiday in Montenegro, but may now be in the Bosnian Serb Army headquarters at Han Pijesak.

An attack on either of these places would require massive military force and possibly start an all-out war between S-For and the Bosnian Serbs, which everyone is desperate to avoid.

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Sex and smoking – time to rewrite the script

You're 16, you may or may not be beautiful – or have lips like strawberry wine – but, male or female, the one thing you are likely to be is confused about what society expects you to say, do or think. One thing you know is that those GCSE results matter and the four weeks before results are out are going to be nail-bitingly tough. How different it was 15 years ago, let alone a generation ago. Then 16 was when you "left school", when many took jobs. Now, 16 is just a stage in an extended process of learning even though, by 16, many are indeed working part-time. Once, a 16-year-old who wasn't working was considered a toff or a failure. Now, a 16-year-old who is working full-time is considered a failure, an early loser in life's lottery.

As for the do's and don'ts of life... You cannot get in to see sexy or violent films at the cinema until you are 18 (though how easy it is to see them on video at home, let alone on TV late at night). No pubs, no cars. Just say no to drugs – especially Ecstasy and cannabis – while noting that some people seem intent on advertising the youthful appeal of alcopops. If you are a girl it is legal to have sex with a girl or a boy. If you are a boy it is legal to have sex with a girl but not with a boy or (sharp intake of breath) a man.

Did yesterday's smoke signals from the Government do anything to clear up the confusion, as ministers bore

down on teenage smoking while signalling greater freedom for teenage gays? Superficially it looks bizarre to pressurise 16-year-olds not to smoke while indicating that the homosexual age of consent for males be lowered to 16. What would the British of a half-century ago, when homosexuality was taboo and illegal, while learning to smoke was a routine entry to adulthood, think of the values of 1997? As with teenage work, it can seem a topsy-turvy world. Doubtless moral conservatives will be denouncing the Government for its warped conviction that tobacco is more harmful than sex.

But, the trouble is, it is. Besides, the cases are entirely different. Tobacco first: cigarette smoking is a first-order cause of ill health and public spending. Huge numbers of those same mid-century teenagers who were taught to smoke by their parents have already died horrible deaths, or are dying early today, because of the habit. We know so much about smoking now that the scientific case against it is irrefutable. That being so, governments should energetically seek to persuade people – especially young people – not to start and, once they have, to stop.

Now sex. Of course government has concerns: safer sex is a legitimate object of policy. The consequences of sexual relationships in government organisations – notably the armed forces – need monitoring, to ensure

that discipline is not breached or that discrimination occurs. But the sexual orientation of recruits is not the Government's business and it is surely only a matter of time before the Ministry of Defence musters the courage to face down the brass hats.

The immediate issue of equalising the age at which young men can consent to sex with men has been put there by Euan Sutherland's case before the European Court of Human Rights. The Government has withdrawn from the case and, to be consistent, will find it hard to resist the inevitable backbench move to adjust British law.

Nor should it. Two substantive arguments have been advanced in favour of maintaining the difference, apart from the trivial procedural point that the House of Commons visited the issue only recently. One is that homosexuality is absolutely wrong so any "extension" is compounding an evil. This view, surveys show, is held by considerable numbers of people. It was the cause of the original taboo and legislative ban. But now, as with smoking, we know better. We know that homosexuals are born, not produced by social pressure. (The fact that the vast majority of boys who went through hothouse single-sex

boarding schools emerged as heterosexuals helps underline the point.) That knowledge makes homophobia and discrimination seem cruel bigotry, not sensible social protection.

The other argument is that boys of 16 are especially susceptible and need protection. Well, they are susceptible, just like their sisters. But that doesn't necessarily mean that the full force of the law should intervene. By and large, as that saddle-borne savant, John Wayne, put it, government should "stay the hell out of people's pants". Legal bans in the past did not stop boys having sex with one another or receiving older men's attentions. The law neither can nor should stop adolescents' striving for experience. It is true that sex, like smoking, can be dangerous to health – even fatal. But since people are always going to have sex (the same not being true with smoking), it is better to confront the dangers openly through education. Criminalising the actions of people considered in many other respects to be old enough to make rational choices, does not help that.

So we are in celebratory mood, then? Actually, no. Though we are against discrimination, we also believe that society is sex-obsessed, and that we are close to worshipping genital friction in a way that societies to come will regard as barmy. Parents, let alone 16-year-olds themselves, have to filter a thousand and one suggestions, from

cinema and soap opera scripts to billboards and ballads, that sexual activity is morally neutral and that everyone (else) is doing it – even if real sex is less frequent and comes with a lot of messy and morally-important choices attached. It is our sex-saturated society, not the intervention of the law, that makes life complicated for teenagers today. But it is still the case that they are likelier to live through the difficulties and enjoy balanced and full lives if they don't smoke in the meantime.

A symptom of deep disquiet

A bright spark in Bowness yesterday launched a submarine on Windermere. So here we are at the side of the most magnificent lake in England – its tree-fringed shores the inspiration of poets and painters, with every path to the water's edge offering fresh vistas across mountain and fell – and we shut our eyes. Or virtually the lake is deep and dark and submarine visibility is likely to be no more than a couple of metres. It's an intriguing touristic development. You travel to the Alps to spend time inside the St Gotthard Tunnel or visit the Grand Canyon with a blindfold on. Is Lakeland now so familiar to visitors that they need such an odd distraction?

LETTERS TO THE EDITOR

Safeguards on patenting of genes

Wendy Watson ("The body in question is mine", 10 July) is worried that, if the directive on gene patenting to be debated in the European Parliament this week is passed it will lead to patenting of body parts. This is not the case. The directive would expressly prohibit such a situation.

The Legal Affairs Committee voted overwhelmingly for an amendment which states: "The human body, at the various stages of formation and development, and the simple discovery of one of its elements including the sequence or partial sequence of a gene cannot constitute patentable inventions."

This is a significant clarification over the present position, under which it is perfectly possible that the scenario that she envisages will come about. Those who are worried about the possible commercialisation of genetics should be lobbying hard to see the directive in place. The European Parliament's proposals will put in place valuable safeguards – including an ethical committee charged with ensuring appropriate application of scientific advances for the benefit of human health, and a restriction on the scope of patentable inventions to exclude, for example, patents involving human embryos, which would be potentially patentable under existing European patent law.

Whether or not Myriad genetics is granted a patent on the BRCA1 gene will be determined by application of existing statute. Even if it is, the price that it is able to charge will not be entirely a matter of its own choosing. Unlike the situation in the US, where a free market applies, pharmaceutical prices are negotiated by the Department of Health with the pharmaceutical industry. Efforts to ensure that genetic tests developed by commercial companies are available to those who need them at a price that the NHS can afford are therefore better directed at the Department of Health, whether or not the European Parliament votes for the directive on Tuesday.

ALASTAIR KENT
Director
Genetic Interest Group
London EC1

Sir: The religious leaders' objections to the European directive on the protection of biotechnological inventions are misguided (letter, 14 July).

The directive allows the patenting of genes (sequences of DNA which code for proteins). These in no way constitute "life", as your correspondents seem to think. They are just chemicals. If genes are life, and that is all we are, what place is there for our "souls", which they presumably propose we have? They ignore the fact that a large number of patients suffering from genetic conditions support the directive, as the only way to encourage investment in tests and treatments for diseases they suffer from.

If patenting is not allowed, then trade secrecy will ensue. It is that which will restrict communication between companies, not patenting. The point of a patent is that an inventor can go public, safe in the knowledge that their intellectual property is safe and their investment protected.

It is ethically inept to regard patent law as the forum for



regulation of genetic technologies. What is needed is separate, well-thought-out restrictions on the research and application of the new genetics, not a ham-fisted combination of patent law and theology.

ADAM HEDGECOE
Centre for Professional Ethics
University of Central Lancashire
Preston

Heal our ruined countryside

Sir: One hundred thousand country people visited London to try to persuade the rest of us that if hunting with hounds is banned the countryside will no longer be maintained as we know and love it, and that a whole traditional way of life will be lost for ever.

One would have more sympathy with them if they had shown as much concern when intensive farming first hit the countryside – when fields were scarred by huge "factory" sheds built to incarcinate the animals which had previously roamed there. With the advent of factory farming the jobs of stockmen and farm hands were lost and farming methods which had evolved over generations, enabling men and animals to live in harmony, were abolished almost overnight.

There were no protests from the hunting folk until their pleasures were threatened.

JOAN HAGGARD
Harpenden, Hertfordshire

Sir: At last, there is some hope that farming will lead naturally to a healthy and distinctive landscape, as it did until the post-war era

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Sir: At last, there is some hope that farming will lead naturally to a healthy and distinctive landscape, as it did until the post-war era

prices, lower-quality produce and reduced choice – which costs British families over £20 a week.

But consumers should not hold their breath. It is a long haul from a draft Commission proposal to getting such radical change through the Council of Agricultural Ministers, which in practice sponsors the interests of farmers.

Previous attempts at fundamental reform of the CAP have foundered at this hurdle, to be replaced by tinkering and tweaks.

If the Commission's plans are to stand any real chance of coming through the EU policy-making machinery intact, that machinery must itself be reformed so that the farming lobby isn't the only influential voice.

RUTH EVANS
Director
National Consumer Council
London SW1

Sir: Let him who is without subsidy cast the first stone. The Rev David E. Flavell writes: "Every other business [than farming] has to make a living without subsidy and hand-outs" (Letters, 11 July).

Certainly subsidise the wages and running costs of Ripon diocese. The buses that pass his door in Peterlee are subsidised by people like me in the deep rural areas of County Durham that were forsaken by buses and trains before 1974.

If farming didn't receive subsidies the real price of food would be payable by the reverend gentleman.

PHIL HUGHES
Bowes, Co Durham

Earthly bosses of God's workforce

Sir: There is a glorious element of force when a judge tells a dismissed curate that his employer is God and "I don't think you have an address for him so you will not be able to serve any documents" (report, 12 July).

When I decided civil disobedience was the strongest way I could, as a matter of conscience, make a point about the injustice to the poor of the Poll Tax and refused to pay it, the authorities were not so vague. Wycombe district council, of heavenly insight, found the address of my employer and served an attachment-of-earnings order. In a fit of hubris, the Church Commissioners obliged. The Bishop humbly accepted the advice that it was nothing to do with him! The Rev PAUL NICOLSON
Henley-on-Thames, Oxfordshire

Political pope

Sir: Both Austin Pielon (Letters, 5 July) and C. Watson (10 July) miss the point about Pope Hadrian IV. Yes, Hadrian was English, but when the English King Henry II requested the Pope's support and blessing for an invasion of Ireland, Hadrian conspicuously did not give either. Instead he "granted" Ireland to Henry on the (dubious) authority of a (supposed) legacy from the Emperor Constantine under which all islands off the coast of Europe belonged to the Papacy.

Henry, newly crowned king of England, could not accept Hadrian's generosity and thus acknowledged that Ireland was the Pope's to grant and to take away, without acknowledging the Pope's similar sovereignty over Ireland's larger neighbour. The whole affair should thus be seen in the context of the centuries-long struggle between Church and Crown. Of course Hadrian was politically motivated, but his game plan held no place for petty nationalisms.

JOHN COSGROVE
Troon, Cornwall

Ethic of idleness

Sir: Your readers who enjoyed Suzanne Moore's superb anti-work piece ("I don't want to be in Labour's chain gang", 11 July) may be interested to know that there does indeed exist a publication dedicated to exploring the very issues she touches on.

The *Idler* magazine – the title comes from Dr Johnson's series of essays of the same name – was founded four years ago with the intention of questioning the Protestant work ethic. At the time we were opposed to the emphasis put on full employment by the Tories; now our concerns are even more appropriate as a paternalistic Labour government introduces pernicious welfare-to-work schemes.

I hope your readers will forgive us this plug. Our defence is that Suzanne Moore did ask the question, "Who will strike out against the new work ethic on the grounds that it is neither ethical nor workable?" The answer is, us. TOM HODGKINSON
Editor, *The Idler*
London EC1

Gambling policy undermined

Sir: Your report "Casinos turn the tables after Lottery setback" (12 July) makes no reference to the Gaming Board's call for an independent review of gambling. This is a matter of some urgency and must involve all aspects of gambling, including betting.

There is conclusive evidence that the casualties from gambling are largely determined by the total amount of gambling occurring and the social pressures encouraging excess. Officially, the policy still is to provide gambling facilities on the basis of unstimulated demand. In practice, this has been undermined by the last government's piecemeal "deregulation". This was done without serious consideration of the long-term consequences for punters and their families. It is vital that there should be a coherent public policy on gambling.

Dr E. MORAN, FRCP, FRCPsych
Chairman
The National Council on Gambling
London N14

A city built without design

Sir: Reading Jack O'Sullivan ("The bean-counter's contract", 10 July) on the subject of design-and-build, one might assume there had been a consistent approach to architectural procurement at Cambridge University that is now threatened.

Not true. The process in the past two decades has been haphazard and amateur. "Grandees of British architecture" have striven successfully in terms of the brief, but too often with indulgence in cost terms. Design-and-builders have also received commissions – under-spending perhaps but also under-designing.

The academic community is unable to get its architecture procurement act together and has yet to recognise the urban design field – the result in part of the jealously guarded independent roles of college, department and University. Such separation is a recipe for fiscal extravagance and uneven quality.

If Cambridge is unable to rework its structure to obtain an informed, professional overview, extravaganzas, irrelevancies and discord will continue.

DAVID OWERS
Cambridge

Banking secrecy

Sir: Each month I pay by standing order an amount of money to my daughter's bank account. Like our correspondent M. A. Qavi (letter, 14 July), I have been able to compare dates on the two bank statements. There is always a period, often of five days and sometimes up to nine, when the money is neither in my account nor in hers. Where does the money go? Who owns it? Who receives the interest? My bank has never given me an answer. Can anyone offer a justification?

Dr I. R. McLAUGHLIN
Uley, Gloucestershire

Damp squib

Sir: Having read so much about *Pride and Prejudice* (BBC 1) in your pages, but missed it the first time round, I was anxious to catch Mr Darcy in his wet shirt on the repeat showing on Sunday. Was that it?
ROSALINDA JONES
York

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Lawyers, watch out — court fees are just the beginning

When Lord Irvine talks, as he did in the Lords yesterday, of "fat cat lawyers", he knows what he is talking about. Until the election, he had one of the most successful—or, as he put it modestly yesterday, "entirely satisfactory"—practices at the London bar. But this will hardly make his message any more palatable to many lawyers. For the message was that rather than railing at an increase in court fees agreed by his predecessor, they should look at the fees they themselves charge—which give "a significant number" of QCs earnings of £1m a year. Last night's speech in the Lords told us a lot about the kind of lord chancellor Irvine intends to be.

Not long after Margaret Thatcher came to power she had an illuminating row with her lord chancellor, Lord Hailsham, about Sir John Donaldson's appointment as master of the rolls. It was widely believed that Sir John had been kept off the Court of Appeal by the 1974-79 Labour government, to pay him back for what it had seen as his union-busting role as chairman of the National Industrial Relations Court during the Heath administration. Thatcher was determined to compensate him. Overruling Hailsham's recommendation—that Lord Brightman was a better qualified candidate—she told him: "Go back and tell your judges that the Prime Minister appoints the Master of the Rolls."

In theory, the Lord Chancellor is directly responsible for appointing judges only up to and including the High Court. In practice, a prime minister invariably takes the advice of the lord chancellor on the most senior appointments as well. Irvine is famously a close friend, mentor and political ally of Tony Blair. How many of his predecessors not only chaired some of the most sensitive cabinet committees in office, but also took part in key campaign strategy meetings in the run-up to the general election? But his pivotal political role obscures the other great source of his power: his influence over the administration of justice, including, but not confined to, the appointment of the judiciary.

The Inns of Court were alive with the popping of champagne corks when Labour's victory installed Tony Blair's old pupil master on the Woolsack. His predecessor, Lord Mackay, had been cheerfully hated by large parts of the London legal profession, judges included. Partly this was because of what amounted to professional racism in the English bar. Lord Mackay was not only (like Lord Irvine) a Highland Scot. Much worse (unlike Lord Irvine), he was a Scottish lawyer, and a very eminent one. Partly, of course, it was because Mackay took on the English Bar and its centuries-old addiction to a demarcation line that had made the train drivers' union, Aslef, look like a model of flexibility. Mackay's revolutionary step was to decide that in certain circumstances it was reasonable—and greatly in the interests of the consumer—if solicitors were to speak in court, occasionally displacing barristers. The bar—from the judges down—fought him every inch of the way, and are still fighting. Solicitors didn't like him much, either. Mackay's determination to curb the costs of legal aid was widely seen as weakness, a failure to do what they conceived to be his proper job, which was to act as the profession's full-time trade union negotiator in the Cabinet. So was his deter-



Donald Macintyre

Lord Irvine has already bared his liberal credentials by striking out the question aimed at establishing whether aspiring QCs are gay

mination to raise court fees to make the justice system more self-financing. Since Lord Irvine was one of their own, they could surely now hope for a quiet life.

Those who did, will be disappointed. For Irvine's message yesterday was blunt: if you're talking excessive court costs, then a good place to start is the fees lawyers charge their clients. And, as he pointed out, over £100m in court fees—more than half the total—was paid by large concerns, not by individuals at all. And they are a "drop in the ocean" compared for example with the £1.62m of the £1.68m Maxwell estate that was swallowed up in professional fees. Irvine's argument was that if litigants don't pay, the taxpayer does; that there are already exemptions for the poorest on income support, and that there is still discretion to waive fees for other poor litigants.

Michael Howard's savage sentencing policy, it seems proper to argue, was a crazy waste of public money and an utterly ineffective way of reducing crime. But to argue, as some lawyers have done, that it was "unconstitutional" for an elected politician to impose minimum sentences—as it does, say, for drunken driving—is another matter. And as with sentencing, so with court fees. The Post Office charges us for using the Royal Mail. We pay charges for prescriptions. True, we don't yet—have to bung the police a small percentage every time they recover our stolen property or stop our houses from being reduced to ashes. But we don't argue that we have a constitutional right not to

do so. The subliminal message in Irvine's speech last night is that if lawyers are so altruistically concerned about the poor, they could start by reducing their own fees.

Irvine's radical robustness is unlikely to stop with court fees. On appointments, he has already bared his liberal credentials by insisting on advertising vacant posts for the senior judiciary, striking out the questions to aspiring QCs and junior judges aimed at establishing whether they are gay, taking the first step to excluding over-55s from the magistracy (a measure that will widen the class base of JPs) and experimenting with blind magistrates. All this is—relatively—uncontroversial. But on the Mackay reforms to the profession, he also shows little sign of letting up.

He is known to be impatient with the unwieldy, senior-judge-dominated, statutory committee that took nearly six years to decide that lawyers employed by the Crown Prosecution Service could, if properly qualified, appear in court—but only if led by a senior outside counsel. If Barbara Mills, the Director of Public Prosecutions, were to apply in the committee for such lawyers to appear in their own right, and if it were to try similar delaying tactics, it's not impossible that Irvine would simply bring in primary legislation and abolish the committee altogether.

Last night's speech was no doubt a preliminary skirmish. It was a tough message, and there remains a valid case for arguing that exemptions for lower-income litigants should be extended more widely than at present—for example, to those on jobseekers' or disability allowances. But those who thought that Lord Mackay's ability to use his authority to stand up in the legal profession was a passing aberration, may have misjudged his successor.

Politicians practise the art of patronage

by Robert Winder

The arts—of all things—are front-page news again. A blizzard of recent events and announcements has raised once again the familiar litany of vexed questions about how we should patronise our creative types. The Department of National Heritage is changing its name to one more in keeping with the dynamic new times (it is now the Department for Culture, Media and Sport) and hinting that the Arts Council's days as Britain's sponsor-in-chief might be numbered.

The head of HarperCollins—Anthea Disney—has sparked off a squabble in the book trade by firing 106 writers who failed to honour their contracts, which inevitably provoked a lot of grumpy talk about philistine corporate values.

New Labour's high table has committed itself enthusiastically to the extravagant Millennium Dome, even to the extent of creating the first New Labour fat cat, Mark McCormack, by appointing him as its chief fund-raiser. And now comes news of a "creative task force", headed by Sir David Putnam and Richard Branson, who will "champion" the cause of creative endeavour in a country supposedly famous for neglecting its artists.

As always, the true picture is muddier than the clean lines of caricature permit. Anthea Disney is a shade unlucky to have been made the emblem of the book trade's nasty desire to channel the flow of books, to turn a broad, muddy river into a winner-takes-all waterfall. In truth, the world might just go on turning without some of the titles she has pledged to stem—books about cookery and pets, for instance. But it is true (alas) that the desire for fewer books is a surprisingly common one among modern publishers.

The great number of new titles produced annually (70,000 each year in Britain, and rising) certainly is an inconvenience—it's a lot of books to bump around, a lot of titles to catalogue, a lot of authors to keep up with. But is plentifulness and a wide choice a bad thing? Can publishers truly promise, as they condense their list, to retain the great books and ditch only the rubbish? Not many would have the nerve. It really would be ironic if capitalism managed to achieve bloodlessly what communism had to kill millions to obtain—a narrow culture dominated by a few mass-market opiates.

The various political initiatives of recent days might, in this context, seem like good news. For too long, the case goes, our creative artists and designers have been neglected. David Putnam, for one, has sung this song many times. But he of all people should know, from his unlikely experiences in the film industry, that money



In the frame: (clockwise from top left) Vivienne Westwood, Damien Hirst, Swampy, Naomi Campbell, the Spice Girls

An uncomfortable truth is that the arts depend on prosperity in the high street. Someone's got to buy the damn books

equals art is not a straightforward equation.

Of course it makes sense to ditch a jaded, snotty word like "Arts" in favour of a vibrant one like "Culture". Of course the new government should surf along on the excitable wave of the times; should look forward, not back. Opportunity, not obligation, as Tony Blair might say. The future, not the past. Anticipation, not antiquities. Full stops, not commas. Slogans, not sentences. That's all fine.

But will it work? Generous government intervention is always going to play a key role when it comes to grand civic projects such as the Dome; and government plays an inescapable role, too, in shoring up unprofitable but worthwhile aesthetic adventures, be they rap evenings for black women in Solihull, or

£213m makeovers for the Opera House in Covent Garden. But both approaches to the arts—ruthless profit-and-loss accounting, or government featherbedding—tend to be grandiose, both assume that it is possible to predict, centrally, what will work out there in the bookshops and theatre queues and art galleries. Both, it hardly needs adding, are pretty much bound at some point to trip over the infuriatingly unreliable of artistic energy.

It's annoying, but there really seems to be no hedging for spirited work: the Muse moves in mysterious ways and thrives on adversity as often as she does on whole-hearted applause and support. There is no doubt, for instance, that Britain's creative industry has thrived in the past decade or so, without any visible encouragement or support from govern-

ment. Waterstone's effected a transformation in the once-dowdy world of books: British fashion is everywhere the rage: Britpop and the Spice Girls come booming out of transistors all over the world: British designers have taken the lead in anything involving glass, steel and wood; and the visual arts have rarely been so bracing and adventurous, with annual controversies guaranteed by the assorted pickled livestock and inside-out living rooms in the Tate or the Royal Academy.

Nor is it just the so-called "arts" that have buzzed into life. There have been some good-sized intellectual upheavals busily brewing, be they feminist—the me-me power play represented by the Spice Girls—or environmental: see under Swampy. There have been new newspapers, new buildings, new comedians, even new ways to dance the night away.

Is it ironic that all of this blossomed under what some of its enthusiasts might have called the Tory jackboot? Some might think so. Or they might argue that it was the very spirit of opposition that brought all these new modes of expression flaring into life. That might be true, too. But a more uncomfortable truth is that what all of these things depend on in particular is prosperity in the high street. Someone's got to buy all the damn books and records, after all. Even what we might call protest culture is driven by cash. The whole world of clubbing and raves, with its Ecstasy tabs and its Irvine Welshes, might seem defiantly hedonistic and utopian, but actually it relies on young people having the kind of pocketfuls of money that no previous generation has ever enjoyed.

The culture of protest, these days, is quite an expensive habit. Much the same could be said about fashion: if you want to spend a hundred quid on a bin liner with holes in it, fine. But it isn't only a "creative" gesture.

Of course it would be fatuous for Tony Blair to claim this flood of innovative energy as some sort of reflection of its own competence or aesthetic flair, but it might be a mistake also to see it as something that can easily be planned.

The most important aspect in the patronage of art is humility—a recognition that the finest work often sprouts in the shadiest and most neglected corner of the garden. In the fairy tale, the villagers sell the goose that lays the golden eggs for less than it is worth—they are too dumb and greedy to appreciate its real value. But there are an awful lot of ways to cork a goose. The pompous urge to tame, cage and promote it—be it corporate, and motivated by a desire to streamline the profit flow; or political, and driven by glory-seeking—almost always ends in tears. The goose will still have soft feathers—it would make a good pillow. But what if it does not glisten any more?

How to stop the massacre of innocents

Children may be victims of war but, says Jenny Kuper, international law can help to protect them

The most enduring images of certain armed conflicts are photographs of children: young Kurds fleeing to the snowy mountains of northern Iraq after the 1991 Gulf War; stone-throwing Palestinian children of the intifada; Mozambican boy soldiers almost dwarfed by their guns; a naked Vietnamese girl screaming from the pain of napalm burns. Yet even when the media are not publicising such images, every day children somewhere are involved, as civilians or as soldiers, in armed conflict. These armed conflicts are almost always non-international or "civil" wars, as in Sudan, Afghanistan, parts of the former Yugoslavia, Rwanda and Sri Lanka.

The categorisation and scale of the armed conflict, however, matter little to those who are caught up in it. While it is well known that children are often particularly affected by armed conflict, it is perhaps less well known that there is a substantial body of law and related enforcement procedures that aim to provide some protection specifically for children in these situations. Recent events have highlighted some of them. For example, there has been the unedifying spectacle of UN peacekeepers from various Western countries (Belgium, Italy and Canada) being tried before military courts for ill-treating civilians in Somalia. A number of those civilians were children.

The Belgian case was particularly shocking, in that some of the incidents were photographed by a former paratrooper who was a member of the unit involved. One photograph, published in a number of newspapers, showed two

Belgian soldiers holding a youth over a camp fire, with the flames perilously close to his naked skin. Even more shocking is the fact that, in their recent court martial, these two soldiers were acquitted of any wrongdoing. The court found that they were not guilty of torture, assault and battery or even threatening behaviour. They were simply "participating in a playful game meant to discourage the child from stealing".

This truly astounding decision flies in the face of all relevant international law, as well as being repugnant on purely humanitarian grounds. Would the Belgian court have found the soldiers' behaviour equally "playful" if the child being dangled over the fire had been white, and Belgian? In any event, the court's decision is contrary to rules set out in numerous international legal treaties to which Belgium is a party. These include the 1989 Convention on the Rights of the Child, which prohibits torture and other "degrading treatment or punishment" of children (Article 37) and obliges governments to "take care of children who are affected by an armed conflict" (Article 38). Other relevant international treaties could include the 1949 Geneva Convention IV, concerning the protection of civilians, which, in Article 3, sets out a framework of rules to safeguard non-combatants in civil wars; and the 1966



Belgian soldiers in Somalia in 1993 participating in a game, according to a military court. Photograph: Frank Spooner

International Covenant on Civil and Political Rights, which prohibits torture and other ill-treatment of any person (Article 7), and calls for special protection for children (Article 24).

In the coming months the Belgium military court is scheduled to hear cases involving charges that Belgian soldiers in Somalia forced a boy and a girl to act as guides, and kept another boy, accused of stealing, for two days in a closed metal container, where he died. It is to be hoped that, this time around, the court will be obliged to take into account the many applicable rules of international law, and adopt a radically different approach.

A more positive indication of the possible effectiveness of international law in providing some protection or

redress for children (and others) in situations of armed conflict was the recent surprise arrest, by British special forces, of two Bosnian war crimes suspects, one of whom died in the process. In fact, many victims of war crimes committed in the former Yugoslavia were children: adolescent boys rounded up and incarcerated in the notorious concentration camps; girls as young as five raped, and many other children killed or injured as a consequence of the fighting. For them, too, the arrest of these war crimes suspects is a small step towards some sort of justice.

Moreover, in a number of armed conflicts in recent years there has been evidence of a greater observance of international law for the protection of children and other civilians. In the 1991 Gulf War, for example, the Allies' coalition repeatedly referred to the need to avoid "collateral damage" and apparently in some instances refrained from attacks where the harm to the civilian population might have outweighed any military advantage. Also during the war, the UN authorised a joint World Health Organisation and United Nations Children's Fund (Unicef) mission to Iraq, specifically to provide medical supplies to children and their mothers.

In some other armed conflicts (such as those in El Salvador, Lebanon and

Sudan), Unicef has succeeded in establishing "days of tranquillity". In those situations, agreement was reached that hostilities would cease for periods of a few days in order to immunise children against preventable childhood diseases, or to provide them with food and other necessities. In all those cases, international law and diplomacy were no panacea, but in some of the conflicts, they did save the lives of some children.

International law and its enforcement mechanisms may be widely perceived as inadequate and almost irrelevant in efforts to secure some sort of protection or redress for children caught up in armed conflict. However, as one of the authorities on the laws of armed conflict, Fritz Kalshoven, has written regarding compliance with these laws: "Each even partial success means that a prisoner will not have been murdered or put to death, a hand-grenade not blindly lobbed into a crowd, a village not bombed into oblivion; that, in a word, man has not suffered unnecessarily from the scourge of war." To those of us watching the big and little armed conflicts of the world from a safe distance, this may not seem significant. But would we not feel otherwise if it were our child, or father, or sister, whose life was spared by a soldier who, in order to comply with the laws of armed conflict, did not throw that one grenade, or drop that one bomb?

The writer's book, *International Law Concerning Child Civilians in Armed Conflict*, was published last month by Oxford University Press.

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Pressure on BT to call off MCI deal

Michael Harrison

British Telecom's \$20bn (£1.2bn) merger with MCI appeared to be on shakier ground last night after the US company said it had no intention of renegotiating the terms of the deal following its shock profits warning late last week.

A spokesman for the company, America's second largest long-distance operator, said: "We believe the terms of the merger will remain in place and we expect the merger to move forward as planned."

Stock market speculators, otherwise known as arbitrageurs, stand to lose huge sums of money - perhaps as much as £1bn - if the merger terms are altered substantially or if the deal is called off altogether.

Despite MCI's insistence that the merger will go ahead as announced, a number of BT's largest institutional shareholders have warned that it owes them no option but to renegotiate the terms after MCI warned it could lose \$800m this year on its move into the local US telephone market and as much as \$1bn next year.

BT may need to reduce the offer price by as much as \$2bn

to compensate. But some analysts are arguing the price should be reduced even further or BT should pull out altogether and pay the \$150m penalty fee it would incur.

The shock profits warning and the apparent stand-off between the two companies is likely to mean fireworks when shareholders gather for BT's annual meeting in Edinburgh tomorrow. What had been billed as a routine, boring annual meeting has suddenly escalated in importance as the BT board frantically prepares to placate angry shareholders.

Investors will demand to

know why the profits warning came so late and so unexpectedly and how BT proposes to modify the terms of the deal.

MCI's two most senior executives - chief executive Bert Roberts and chief operating officer Gerald Taylor - will be at the agn in their capacity as non-executive directors of BT and are likely to face heavy fire from angry shareholders who voted the deal through overwhelmingly three months ago.

The merger agreement gives both sides the right to renegotiate the terms should there be a material change in the circumstances of either company.

BT's institutional shareholders argue that a profits warning which in effect robs the merged company of any earnings growth for two to three years should trigger a renegotiation. However, MCI shareholders, including a number of "arbs", are likely to argue that the increased pension liabilities BT faces following the abolition of dividend tax credits also amount to a material change. BT estimates that the changes, announced in the Budget, will reduce pre-tax profits by £150m-£200m a year.

The arbs are in a heavily exposed position because of

the way they have sought to exploit the gap between the price of MCI shares and the terms on offer from BT.

BT is paying 5.4 BT shares and \$6 in cash for every MCI share which, before the profits warning, produced a spread of up to 10 per cent between MCI's offer price and its market price.

The arbs have in effect been buying into BT cheaply by acquiring MCI shares and going short on BT - offering to sell shares they do not own in the expectation of being able to cover their positions when the deal goes through.

One BT insider said that it had been inundated with frantic calls from arbs last Thursday evening when the profit warning emerged. "We look scores of calls from arbs saying they would be driven into bankruptcy. One of them was almost in tears. He wanted me to tell him he was just having a bad dream."

BT's finance director, Robert Brace, will fly out to the US after the agn, heading up a team that will assess the MCI profit warning and its plans for entering the US domestic market and report back on whether the merger terms need amending. BT described reports that it

would demand the resignations of two senior MCI executives as "speculation". MCI also played down suggestions that the two finance directors, Doug Maine, who is due to become finance director of the merged group, and Tim Price, head of its US telephonic business - would be forced out. "MCI has a very strong management team," said the spokesman.

BT shares closed 16p higher last night at 456.5p having fallen by 8p last Friday in the wake of the profits warning, while MCI shares were \$2.25 firmer at \$37.25.

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ICI shares rise on \$3bn DuPont deal

Sameena Ahmad

ICI yesterday sold half of its commodity chemical business to DuPont for \$3bn (£1.8bn), a price far in excess of stock market expectations. Shares in the chemical group jumped 9 per cent to 884p.

Analysts were also surprised at the speed of the sale. Including DuPont, ICI has raised £2.9bn from disposals in just two months since it acquired Unilever's speciality chemicals business for £5bn. In May, ICI said it would raise £3bn from disposals over the next three years to reduce debt following the acquisition.

Analysts said disposing of the remaining industrial chemicals assets could realise at least another £1bn, taking total disposal proceeds to over £4bn.

Charles Miller Smith, ICI's chief executive, said the disposals together with the Unilever deal "confirms the decisive shift in ICI" from a commodity chemicals group into one of the world's leading speciality chemicals companies. "We now have a portfolio of world class businesses across our three key areas of coatings, speciality chemicals and materials, which offer wonderful growth prospects, give us much more predictable future earnings and are significantly less capital intensive. We have virtually reached this target (£3bn) less than three months after it was set."

One analyst said: "It's a wonderful deal. To have achieved this in such a short space of time is unprecedented. I don't think the scale of the achievement has dawned on us yet."

The disposal announcement yesterday came less than a week after ICI said it would reap £1bn from the sale of its stake in ICI Australia and made property disposals worth around £120m.

Mr Miller Smith said there would be further sell-offs over

the next 12 months: "More has to be done to ensure a fundamentally different ICI."

The disposals to DuPont comprise ICI's polyester polymer and intermediates business, its titanium dioxide operations outside North America and its polyester film business. Collectively, those businesses had sales of £1.5bn. Another £2bn of sales will disappear from the group when it sells quarrying chemicals and the remaining TiO₂ operations as well as explosives.

ICI said that DuPont had declined to buy North American TiO₂ because of monopoly issues, but had agreed to cover the deficit if ICI received less than \$150m.

Allan Spall, ICI's finance director, said that reducing exposure to bulk chemicals, which will represent just over a fifth of sales compared with 37 per cent last year, would reduce the impact of the strong pound on profits. ICI, which exports around a quarter of its sales, has been severely squeezed by high manufacturing costs in the UK and low selling prices abroad.

Mr Spall, who estimates a £90m hit from sterling when interim results are reported later this month, said: "At the lighter end of chemicals, manufacturing tends to occur close to customers. We can buy and sell in the same currency." The proceeds should reduce borrowings from around £60m, cutting gearing by around 20 percentage points to "less than 100 per cent", said Mr Spall and will be earnings enhancing by 1998.

Analysts said the disposal price of 1.4 times 1996 sales, was "very full". However, Peter Cartwright at Williams de Broe said strategy was more important for DuPont, which will almost double its share of the world market in titanium dioxide, a white pigment used in paints, to over 40 per cent.

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Geoffrey Robinson (left) announces the appointment of Adrian Montague (right). He was chosen from a shortlist of three Photograph: Philip Meech

Euromoney in talks with Disney

Cathy Newman

Euromoney Publications, the publisher and conference organiser, is in the final stages of negotiations to buy Institutional Investor, the US financial magazine group, just weeks after pulling out of the bidding auction after claiming the \$200m (£119m) asking price was too high.

Walt Disney, Institutional Investor's parent, asked Euromoney to resubmit its offer after a host of other bidders that included Pearson also quit the race to buy the company. It is

understood that Euromoney has secured a time-restricted exclusivity agreement with Disney as it attempts to tie up its biggest purchase to date.

Disney had hoped to net up to \$200m by selling the company, but is now believed to be prepared to let it go for around \$150m. There are some reports in the US that Euromoney could get away with paying as little as \$120m.

Sources at Euromoney said the acquisition could well be signed and sealed by the end of the week. If the deal goes ahead, it would expand Euromoney's revenues and person-

nel by around 50 per cent. The company would need to take on debt or launch a rights issue to finance the bid, and sources said the options were being considered.

Euromoney said, as it announced record results last month, that it was keen to acquire, adding that it had £24m in cash and short-term deposits.

The company's acquisition strategy to date has focused on far smaller deals than Institutional Investor. Recently, Euromoney bought a 40 per cent interest in Mondiale Corp, a UK

publishing company specialising in the business-to-business international office products market for a maximum £4.5m.

Institutional Investor, which publishes a magazine of the same name as well as newsletters, also organises business seminars and conferences and is a direct competitor to Euromoney.

Euromoney, which is controlled by the Daily Mail & General Trust, announced at the end of May that it had increased half-yearly underlying pre-tax profits by 21 per cent to £12.1m.

Strong pound takes £11m off Thorn profits

Cathy Newman

Shares in Thorn, the beleaguered rentals group, took another battering yesterday and the logic of last year's split from EMI was again questioned after the company's outgoing chairman, Sir Colin Southgate, said the strength of the pound would reduce profits this year by around £11m.

Immediately after a somewhat stormy annual general meeting, at which Sir Colin warned shareholders that first-quarter turnover had dropped by 6.5 per cent, Thorn's shares plunged 12 per cent to 156p, only 40 per cent of their 408p value after the group's demerger from EMI last August. The shares closed at 158.5p.

Some shareholders attacked the dismal performance of Thorn's share price over the past year. One said: "One gets the feeling that these things [demergers] are not done for the benefit of shareholders, but for the benefit of merchant banks."

Another echoed hints from City analysts that new management may be needed to remedy the situation. "Perhaps [it would be better] if you had a few scientists on the board, who are used to forward thinking, as opposed to one [a board] full of economists who are used to woolly thinking," he said.

Nick Bubb, analyst at Societe Generale, said rumours about the future of Mike Metcalf, chief executive, had been circulating for some months. Management had come under fire for the decision to rent out furniture from Radio Rentals shops, a strategy which has now been abandoned.

However, a spokesman for Thorn hotly disputed speculation about Mr Metcalf. He admitted furniture rental had not been successful through Radio Rentals, but said management could hardly be blamed for other problems which had affected the share price, such as litigation in the US. Legal action in Minnesota over allegations of unfair

interest charges on rentals forced the group to reveal a £17.1m provision in May.

Analysts downgraded their profit estimates for the year in the light of Sir Colin's comments. Mr Bubb said his forecasts for pre-tax profits would "drift downwards" from £140m to between £130m and £135m. However, he said he anticipated a significant improvement in profits in the following year, perhaps up to £150m.

Mr Bubb was also confident that Thorn's dividend to shareholders would be maintained. He was cheered by plans announced in May and approved

at yesterday's special extraordinary general meeting to return £87m, some 14 per cent of the company's capitalisation, to investors over the next two months.

Other City watchers were not so sanguine, though, with one City analyst saying: "Thorn is almost beyond salvage as the company is operating in markets that are structurally in decline."

The analyst called for the closure of up to 200 Radio Rentals outlets. Thorn operates 500 Radio Rentals-branded shops, after closing 90 in April. The company's spokesman said there was an ongoing "very critical review" of the Radio Rentals division.

As planned, Sir Colin stepped down yesterday, to be replaced by Hugh Jenkins, deputy chairman.

Thorn's share price over the past year has been a rollercoaster ride. It started at 408p in August, fell to 156p in May, and then recovered to 158.5p by the end of the day. The chart shows a significant dip in the middle of the year, followed by a recovery.

Source: FT Information

Sterling higher as survey shows dip in retail sales

Diane Coyle
Economics Editor

Inflation at the factory gate remained very subdued last month, according to new figures yesterday. But City analysts said a further increase in interest rates was on the cards, and the pound climbed still higher on the foreign exchanges yesterday.

Separately, a survey by the British Retail Consortium showed a slight dip in spending on the high street last month due to the bad weather. It reported "healthy" sales volumes with building society windfall gains filtering through in sales

of expensive items such as electrical goods.

Nevertheless, the BRC said there was no further need for the Bank of England to dampen consumer spending.

Adam Turner, director-general of the Confederation of British Industry, said the Budget had missed an opportunity to damp down on consumer demand. But in a speech last night he said: "Tough though it may be for exporting companies, one of the reasons that sterling is so high is international confidence in the British economy's underlying strength."

Regardless of the fears about

interest rates, share prices set another record yesterday. The FTSE 100 index ended 58 points higher at 4,857.4, helped by a strong opening on Wall Street.

Prices paid by manufacturers for their materials fell by 0.8 per cent in June, according to official figures yesterday. Much of the decline was due to lower petrol prices, but there was still a 0.2 per cent drop in underlying costs thanks to lower import prices in terms of sterling.

Prices charged at the factory gate fell 0.2 per cent in June. Although their year-on-year rate

of increase edged up, it remained low at 1.1 per cent. But "core" output prices, excluding food, drink, tobacco and petrol, rose 0.1 per cent in June. Their annual rate of increase remained unchanged at 0.6 per cent.

A key message is the absence of inflationary pressure in manufacturing, said Richard Iley at Hoare Govett. Even so, some said the news should have been even better.

"Manufacturers might have been expected to respond by cutting prices more aggressively," said John O'Sullivan at NatWest Markets. "It looks

like they are protecting margins rather than market share."

The BRC's monthly survey showed sales weakening in weather-related areas such as summer clothing, beer and sun creams, thanks to the June downpours. Electronic items enjoyed a very good month, and housing-related areas such as furniture and DIY were strong.

The value of the total sales rose 8.2 per cent in the year to June compared with 8.3 per cent in May. On a like-for-like basis sales growth slipped to 4.5 per cent from 4.8 per cent.

The Bank of England's next step would hinge on figures for

average earnings growth, due tomorrow, and the estimate of GDP in the second quarter, due next week, analysts said.

Unless either shows a significant slowdown, most reckon the Bank's monetary policy committee will feel compelled to act again, perhaps as early as next month's meeting. "The currency markets are right to see the prospect of a further interest rate increase," said David Owen of Kleinwort Benson.

Sterling climbed from just under DM3 to DM3.02 yesterday, while the pound's index against a range of currencies gained 0.5 in end at 105.5.

STOCK MARKETS					
Index	Close	Day's change	Change (%)	1996/97 High	1996/97 Low
FTSE 100	4857.40	+57.90	+1.2	4857.40	4056.60
FTSE 250	4423.90	+15.60	+0.4	4729.40	4386.20
FTSE 350	2395.90	+24.10	+1.0	2325.90	2017.90
FTSE SmallCap	2205.43	+1.07	+0.0	2374.20	2178.29
FTSE All Share	2272.48	+22.97	+1.0	2782.31	1989.78
New York	7933.90	+12.08	+0.2	7962.31	5032.94
Nikkei	20298.72	+363.23	+1.8	20681.07	17303.85
Hong Kong	15370.94	+145.65	+1.0	15470.94	12055.17
Dax Frankfurt	4124.19	+83.22	+2.1	4124.19	2848.77

INTEREST RATES					
Short sterling	UK medium gilt	US long bond	Money Market Rates	Bond Yields	Long Bond
7.25	7.25	7.25	1 Month	1 Year	10 Year
7.25	7.25	7.25	3 Month	2 Year	30 Year
7.25	7.25	7.25	6 Month	5 Year	40 Year
7.25	7.25	7.25	9 Month	10 Year	50 Year
7.25	7.25	7.25	12 Month	15 Year	60 Year

CURRENCIES					
Index	Close	Day's change	Change (%)	1996/97 High	1996/97 Low
US Dollar	1.6883	+0.036	+2.1	1.6883	1.5557
Japanese Yen	1.6883	+0.036	+2.1	1.6883	1.5557
Swiss Franc	1.6883	+0.036	+2.1	1.6883	1.5557
German Mark	1.6883	+0.036	+2.1	1.6883	1.5557
French Franc	1.6883	+0.036	+2.1	1.6883	1.5557
Italian Lira	1.6883	+0.036	+2.1	1.6883	1.5557

OTHER INDICATORS					
Index	Close	Day's change	Change (%)	1996/97 High	1996/97 Low
Oil Brent	17.88	-0.2	-1.1	17.88	16.94
Gold	320.75	+0.5	+0.2	320.75	319.25
Gold 2	189.95	+0.04	+0.02	189.95	188.91
Base Rates	8.75%	-	-	8.75%	8.75%

COMMENT

SFO calls new beat

The Stewarts

The Stewarts, a senior project finance specialist with investment bank Dresdner Kleinwort Benson, has been appointed to head the Government's Private Finance Initiative, it was confirmed yesterday.

Mr Montague, head of global project finance at the bank, will become chief executive of the Treasury's PFI Taskforce, a unit set up to oversee the £160,000. He will be on a two-year contract and will report to the Paymaster General, Geoffrey Robinson.

The 49-year-old banker, chosen from a shortlist of three candidates, described the job as a tremendous challenge. "You have to have a desire to help out in the public sector to hold a position of this type."

Mr Robinson, who dismissed Alastair Ross Goobey, the chairman of the Private Finance Panel, when Labour came into power, likened the job to a thicket through which Mr Montague would need to clear a path.

Mr Montague will recruit a team of around eight private sector project specialists and will have the responsibility of signing off commercially viable projects before they are put out to tender.

BA granted £125

The Civil Aviation Authority (CAA) has granted British Airways a £125m loan to help it finance its new fleet of aircraft. The loan is part of a £1.2bn package of support for the airline, which is facing a major restructuring. The CAA said the loan would be repaid over a period of 10 years.

Accot to start dist

Accot, a major UK construction company, is set to start distributing shares to its shareholders. The company has announced a dividend of 10p per share, which will be paid in the form of a share dividend. The shares will be distributed to shareholders on a pro-rata basis.

British Midland

British Midland, a major UK airline, is set to start distributing shares to its shareholders. The company has announced a dividend of 10p per share, which will be paid in the form of a share dividend. The shares will be distributed to shareholders on a pro-rata basis.

What agrees to



COMMENT

'MCI will get taken over whether or not the merger with BT goes through. With so many powerful investment banks - Goldman Sachs, Salomon Brothers and Merrill Lynch among them - facing losses, they have an even bigger incentive than usual to find an alternative bidder.'

Risky business, arbitrage, but that's the point

Sir Iain Vallance and his chief executive at SBT, Sir Peter Bonfield, are not the only ones praying that MCI's profits warning late last week does not prove a deal breaker. It transpires that the investment banking community's various arbitrage departments stand to lose at least \$1bn if the merger fails - probably the biggest arbitrage hit of any deal in recent memory. Risk arbitrage may be a cleaner business than it was when Ivan Boesky ruled the roost, but at least he was well informed.

This was a merger that looked like an arbitrageur's dream. Both MCI and BT are big and very liquid stocks, but the possibility (always more apparent than real) that the Federal Communications Commission might eventually block the deal meant that the value of the deal has never been fully reflected in the MCI share price. As a consequence the arbitrage has been going massively long of MCI while at the same time "shorting" BT, a spread of approximately 10 per cent should the deal eventually go through.

Paradoxically, the very attractiveness and apparently near-certain rewards of the spread have led some arbitrageurs to adopt a more cautious approach. The panic that would set in should the bet go wrong has led some to steer clear of the situation. But most have piled in like there's no tomorrow.

What this probably means is that MCI will get taken over whether or not the merger with BT goes through. With so many powerful investment banks - Goldman Sachs, Salomon Brothers and Merrill Lynch among them -

facing losses, they have an even bigger incentive than usual to find an alternative bidder.

Harder to gauge is what effect the arbitrage positions will have on BT's attempt to renegotiate the terms of the deal. Some of MCI's new-found shareholders will be pushing hard for no change in the terms on the grounds that this will destroy their profit. Others will take the view that anything that saves the deal, and heads off calamitous losses, is worth a try.

On this front, however, there seems to be some hardening of attitudes round at MCI itself. MCI directors have already proved their independence and determination of mind by voting through the extra investment in local telecommunications, regardless of anything BT might have to say on the matter. Now there are mutterings from the MCI camp that nothing justifies a renegotiation of the terms since BT has had its own share of unanticipated costs since the deal was first struck.

These include the windfall profits tax and the double-whammy effect of the abolition of tax credits on dividends. The first effect is to increase the costs of servicing the pension fund by up to £200m a year. The second is either to reduce the yield on the stock or increase the cost to the company of servicing the dividend. Either way, some MCI insiders believe that the unexpected damage at BT since the deal was announced is rather greater than the unexpected damage at MCI.

The dangers of standoff can readily be seen. If the only way that BT can re-sell this deal to

its shareholders is by renegotiating the terms and MCI refuses to do so, then the whole thing is going to collapse. It will come as little consolation to the top brass at BT that the monetary damage to the investment banking community of such an outcome is going to be rather greater than their own loss of face.

Stock market may have lost touch

There's no better contrary indicator, it would seem, than a survey of fund managers' intentions. On the day that Merrill Lynch flagged a shift in asset allocation from equities into gilts, the stock market reached another all-time high and gilts fell.

Bad timing aside, the broker's monthly survey made interesting reading. According to the study, pension funds have not been so keen on gilts since December 1994, when the yield on government bonds was a rather more attractive 8.5 per cent. Net sellers of UK equities now outnumber net buyers by 18 per cent, the biggest gap for a year.

One of the reasons for this is more onerous solvency conditions for pension funds. However, it's not all technical. The outlook for interest rates has deteriorated sharply since Gordon Brown ducked the consumer boom two weeks ago, while the resultant soaring pound means earnings forecasts for exporters have been revised in this year and next. And the abolition of the tax credit has

reduced the dividend stream from shares. Many institutions are just fundamentally more bearish about equities than they were.

So why is the stock market riding high? In part it shows what an inadequate measure of the overall stock market the utility and financials-dominated FTSE 100 has now become. The stock market is also being dragged up by the strength of overseas equities, particularly Wall Street, against which London looks cheap. But it might also suggest the market has lost touch with reality.

ICI's balance sheet ready to bubble

Charles Miller Smith, ICI's quiet and slightly nervy chief executive, was in an audacious mood yesterday. He deserved to be. In just two months Mr Miller Smith has pulled off the transformation of ICI from a dull, bulk chemicals giant, battered by sterling and mood swings in the chemicals cycle, to a higher-margin, more predictable and hopefully better valued beast.

With the disposal yesterday of half ICI's bulk chemicals businesses - titanium dioxide, polyester polymers and polyester fibres - to DuPont for £1.8bn, he has achieved a fantastically good price given that these were barely profitable concerns. Having paid £5bn for Unilever's highly rated, specialty chemicals businesses in May, Mr Miller Smith was under pressure to cut debt and find buyers for the commodity

businesses. Through he promised to take no more than three years to dispose of £5bn of businesses, doubters saw ICI as a forward seller looking to realise poor prices.

Not so, Mr Miller Smith proved he was a fast mover, selling ICI's stake in ICI Australia for £1bn just two months after the Unilever deal. He has also shown that in the chemicals industry a handicap to one company can be a prize to another. That DuPont's share price held up even though it had paid ICI a princely sum shows not only the quality of ICI's TiO2 technology and the geographic fit, but that in very tough markets, it is worth coughing up the cash to get a leading market position. ICI demonstrated just that when it shelled out for the Unilever businesses.

The wife-swapping atmosphere in the chemicals industry suggests that ICI will get a decent price for its remaining bulk chemicals assets such as ethylene, chlorine, chemical quarrying and the North American TiO2 businesses that DuPont chose not to buy. That will improve ICI's balance sheet even further.

Having sold off almost £2.9bn of businesses in just two months, borrowings will be around half pre-disposal levels and interest cover will be very acceptable at over three times. Even if he struggles to sell the rest, the pressure is now off Mr Miller Smith. And having spent 11 of his 30 years at Unilever managing precisely those businesses he is now left with investors can feel reassured that the new look ICI is in safe hands. The argument for re-rating ICI is compelling.

SFO head calls for new body to beat fraud

Tom Stevenson
Financial Editor

The new head of the Serious Fraud Office called yesterday for the creation of a single investigative body to replace the current "fragmented and inefficient" structure. Rosalind Wright, director of the SFO since April, also called for the replacement of the jury system in complex financial fraud trials and the imposition of heavier fines to hit offenders "where it hurts them most - in their pockets."

In a letter to the Attorney General, Mrs Wright criticised the duplication of the current system for tackling fraud that sees responsibility split between the SFO, the Crown Prosecution Service and the Department of Trade and Industry.

Issuing her first annual report since taking the helm at the fraud office, Mrs Wright argued for heavier fines for convicted fraudsters and measures to recover funds that had been siphoned away in anticipation of conviction. She also recommended the creation of a new "fraud" offence to replace the confusing plethora of conspiracy and dishonesty offences in force now.

Under the current system, a group of alleged fraudsters can

be charged with conspiracy to defraud, but an individual can only be charged with one of a number of statutory offences. "This is all very confusing for a jury and unnecessarily complex,"

Of the system of trial by jury, Mrs Wright said: "In spite of the SFO's efforts to cut the number of charges, trials have still taken too long." She said she was hopeful the Law Commission would soon recommend a move towards a tribunal system.

While she welcomed the Government's recent decision to combine the various City regulators into a single watchdog based on the Securities and Investment Board, she said it did not go far enough. "Responsibility continues to be divided between public bodies and regulatory organisations, whose powers to gather evidence, procedures and punishments all differ," she said.

She said it was time to act on the recommendations of Lord Roskill 11 years ago which had led to the creation of the SFO. He had suggested the creation of a single body with responsibility for major fraud prosecutions. Currently the SFO is limited to the investigation and prosecution of those fraud cases which are "serious and complex".



Rosalind Wright: In favour of replacing jury trials with a tribunal system in financial fraud cases

Other recommendations included giving judges powers currently enjoyed by financial regulators, such as closing down or suspending businesses suspected of being fraudulently run. Mrs Wright said judges should be able to impose punitive fines and disqualify fraudsters from soliciting or managing investments by the public.

The need to strengthen anti-fraud legislation was underlined by figures in the SFO annual re-

port showing an increase in the number of cases of suspected fraud against investors from 29 to 42 during the past year. The SFO said the buoyant economy was a big factor.

"We are disturbed that so many people are being defrauded. It is also noticeable that many of these cases concern investments which are not regulated under the Financial Services Act. Compensation is therefore not available."

DBS confirms action by PIA

DBS Management, a network of personal financial advisers, said yesterday it had been informed that the Personal Investment Authority (PIA) had started disciplinary action against its DBS Financial Management subsidiary.

Earlier in the day, in response to an article in *The Independent*, DBS said it had no knowledge of any fine to be imposed on it by the PIA over alleged pensions mis-selling. The article said a £500,000

fine, which would be the largest made by the PIA for a rule breach, was close to being levied by the financial services regulator. The fine would be an embarrassment to Ken Davy, the chairman of DBS, who also sits on the PIA board.

While DBS said it did not know of any fine, it "considers its resources are adequate to cover such a penalty in the event of it being confirmed".

It said the article "apparently" was based on information ob-

tained in breach of confidence from the PIA.

Shares in DBS, which had initially eased 27.5p yesterday morning, fell further on the second statement and closed down by 67.5p at 1,077p, a fall of almost 6 per cent.

DBS confirmed its commitment to ensure that any investors who bought personal pensions through its members were properly dealt with under the terms of the pensions review by the Securities and Invest-

ments Board. It said it had made substantial provisions to cover the costs of accelerating the review.

DBS, based in Huddersfield, represents more than 1.7m independent financial advisers. The company provides compliance and regulatory help in return for a slice of the commission from each adviser.

The company was founded in the 1970s by Mr Davy and became a network in the 1980s. It floated on AIM two years ago.

Iraq's export plans push down oil prices

The price of oil fell yesterday after the United Nations announced the resumption of oil exports from Iraq. Although it was not clear when the "oil for food" aid plan would start, the news prompted a wave of selling on the International Petroleum Exchange.

The price of Brent oil futures, the benchmark, fell from \$18.40 a barrel to \$17.92 within 15 min-

utes and later declined further to a low of \$17.85.

Staffan de Mistura, the UN's representative in Baghdad, said the text of the agreement needed to be finalised. "We believe the process will be concluded by next Monday," he said.

When Iraqi sales resume, it will mark the country's first exports since the end of the Gulf War.

A statement from the IPE said: "As soon as the news was announced Brent prices began to spiral downwards."

It said the volume of trade rose to more than double the recent average daily trading volume.

The oil price was further depressed by confirmation from the German Economics Ministry that it would start selling 50 million barrels from the country's

oil reserves beginning on 4 August.

Germany planned to raise around DM400m (£133m) this year and a further DM500m in 1998 from oil sales, a ministry spokeswoman said. The government announced last week it would sell reserves in try to reduce its budget deficit enough to qualify for the single European currency.

IN BRIEF

Ashted profit share double staff's pay

Four depot managers at Ashted more than doubled their pay last year after the plant hire group shared out a record £3.1m bonus amongst its workforce of 2,268. The group refused to disclose the actual figures, but the average manager, who earns somewhat over £20,000 a year, saw a 22 per cent uplift from the profit share, with most ordinary employees receiving 10 per cent. The company said it was seeing an increase in market demand for the first time since 1990 as it unveiled a 68 per cent rise in profits to £28.5m for the year to April. Annual dividends are to go up by a fifth to 3.65p a share. *Investment Column, page 20*

BAA granted £125m loan for rail link

The European Investment Bank has granted a £125m loan to BAA to support the construction of the Heathrow Express railway link between Heathrow airport and Paddington Station, London. The rail works involved upgrading and electrification of 18km of existing Railtrack line, the construction of a 7km spur, mainly underground to the airport, two new stations and other infrastructure, the bank said.

Ascot to start disposal programme

Ascot, the engineering-to-chemicals group, is to embark on a large scale disposal programme in the wake of last year's £277m acquisition of Suter, the mini-conglomerate. It is planning to sell Rico, its South African fridge business, Presto, which makes cutting tools and Depelux, which sells beauty therapy equipment, within the next few months. Its car parts division is likely to be sold within a year. "I do not like conglomerates and we will make two or three divestments in the second half of the year," said Howard Dyer, chairman, who also announced the appointment of John Grant, former finance director at LucasVarity, as its new chief executive. *Investment Column, page 20*

British Midland signs deal with Airbus

British Midland has signed a contract for 11 Airbus Industrie A320 and nine A321 jets, Airbus said in a statement. The deal comprises the outright purchase of eight planes and the leasing of the remaining 12 through International Lease Finance Corp. Deliveries will start in spring 1998.

Owat agrees to licence amendments

Owat, the water regulator, has agreed amendments to North West Water's licence to ensure the separation of the business from its sister company Norweb and safeguard the interests of its customers. Both companies are owned by United Utilities. North West Water will conduct its business as though it were substantially the company's only business and a separate company from Norweb.

Brent Walker threatens to sue GrandMet

Andrew Yates

Brent Walker, the debt-laden leisure group, plans to make a fresh legal assault against Grand Metropolitan over the long-running dispute surrounding William Hill, one of the largest betting chains in the UK. The move, which could see Brent Walker making a claim for £100m, casts another shadow over GrandMet's proposed £24bn merger with Guinness.

Sir Brian Goswell, Brent Walker's chairman, said yesterday: "We believe GrandMet should pay us interest on the amount we overpaid for William Hill. Unless we can reach a settlement quickly, and there is no sign that we can do so, then we will take the matter to the courts."

It is the latest twist in a long-running legal wrangle that stems from Brent Walker's £685m acquisition of William Hill in 1989. Brent Walker claimed that GrandMet overstated William Hill's profits and that therefore it had paid too much for the business.

Arthur Andersen, the accountancy firm acting as independent arbitrators, ruled last October that Brent Walker had indeed overpaid by £117.5m. But it only received £36m as it had already withheld £50m from the final payment for William Hill and was charged interest on the money owed. Now

Brent Walker is claiming it, in turn, is still owed interest on the £117.5m it was deemed to have overpaid, which it estimates amounts to £100m.

Sir Brian and George Bull, his counterpart at GrandMet, have held numerous talks about compensation owing, but discussions remain deadlocked. GrandMet has resolutely refused to pay a penny as it believes the original contract to sell William Hill made no provision to cover interest payments.

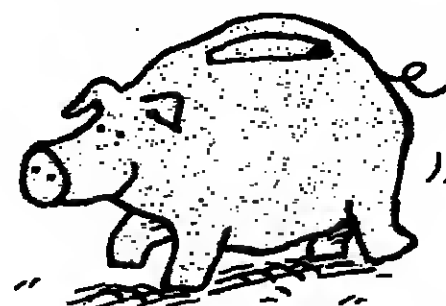
The matter has been passed on to the companies' lawyers. If they cannot hammer out a deal soon, Brent Walker plans to sue GrandMet.

Brent Walker is in the process of selling William Hill in an attempt to reduce its £1.2bn debt mountain. Even if it disposes of the betting chain, however, it will be able to pursue its legal case against GrandMet. Sir Brian has received several offers for the business, including bids from Bass and Cinven, the venture capitalist group. Some of the bids are thought to exceed earlier estimates of £650m. It plans to whittle down the field to several leading candidates within the next few weeks.

GrandMet will be keen to settle the dispute once and for all before merging with Guinness. Analysts believe it may be willing to pay some compensation to Brent Walker, although it would balk at forking out £100m.



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business

Man Utd on lookout for acquisitions in Far East

Andrew Yates

Manchester United, the UK's best-supported football club, is understood to be eyeing up acquisitions in the Far East. Speculation is mounting that it is set to become the first English club to buy or take a stake in a foreign football club.

It is believed to be securing Thailand, Malaysia, Singapore and Indonesia for targets. It would also love to tap into the Chinese market, where it recently went on tour and where the game is rapidly growing in popularity.

In the past few weeks United has appointed Hong Kong-based HSBC investment bank as advisers, a move that has been interpreted by observers as a forerunner to acquisitions. "You don't employ corporate financiers for nothing. You employ them to look for acquisitions. The Far East is an obvious place to look," said one source.

Vinay Bedi, a football analyst with Wise Sports, believes United is most likely to lead the way among British clubs seeking to expand abroad.

"Acquisitions in the Far East are very possible in due course for many of the leading Premiership clubs. I would not be surprised if Manchester United was at the forefront of that initiative," he said yesterday.

United's chief executive, Martin Edwards, has already made it clear that he wants to expand the club's operations in the Far East. He recently employed Peter Kenyon, a former executive at United's kit sponsors, Umbro, as deputy chief executive to oversee global expansion.

The club has just opened an office and shop in China, from where it will co-ordinate its Far East operations. It already has shops in Thailand, Hong Kong, Singapore and Malaysia, where it is marketing its brands heavily.

If these prove a success it plans to roll out stores across the Far East. Sources suggest buying a club in the Far East would be a natural way to boost merchandise sales in these stores.

"It is no secret that we are interested in the Far East. We are looking at opportunities over there," a spokesman for United said yesterday.



Martin Edwards: has raised more than £2.9m by selling 405,000 shares in the club

there," a spokesman for United said yesterday. Meanwhile, Mr Edwards has raised more than £2.9m by selling 405,000 shares in the club. Family trusts controlled by Mr Edwards have also sold 500,000 shares for £3.25m. Mr Edwards, who once held 24 per cent of the club, has gradually been reducing his stake over the past few years and now owns less than 15 per cent.

It is understood he sold the shares to satisfy the demand for new stock from one large institution. He is believed to have sold the shares in the family trusts on advice that the trusts' assets were too heavily reliant on United's share price.

Shares to satisfy the demand for new stock from one large institution. He is believed to have sold the shares in the family trusts on advice that the trusts' assets were too heavily reliant on United's share price.

Cavaghan hit by BSE

Nigel Cope

Cavaghan & Grey, the food group, said the BSE problem had "significantly affected the business and will continue to affect sales". Though pre-tax profits rose by £5.4m to £7.2m, sales at the frozen food retailing business were £3.3m lower at £39.4m due largely to a 40 per cent slump in sales of beef products.

In frozen food catering, operating profits were also affected by the BSE issue. However, the company said it was developing a larger range of fish and vegetable based products to reflect changing consumer purchasing trends.

Management said the company's chilled prepared foods business, which makes ready-made meals for Marks & Spencer, had a programme of new product launches in place for autumn and Christmas. It said these, together with cost-cutting and the benefits from its capital expenditure programme, left the group well placed for the current year.

Group pre-tax profits were £5.5m compared with £988,000 the previous year when the figures were scarred by £2.7m of exceptional charges, largely related to stock write-offs caused by "mad cow disease". The final dividend was 3.7p. The shares were unchanged at 60p.

Burton seeks name

Nigel Cope
City Correspondent

Burton Group, the retailer which announced plans to demerge its Debenhams department stores operation last week, has launched a competition to decide the new name of its multiple businesses which include Burton Menswear, Dorothy Perkins, Top Shop and Principles.

The competition is open to the public and the prize is a two-week holiday for two on a tropical island. Accommodation will be in a luxury hotel and the winner will be given £1,000.

"We had said we would decide the name with a competition and this is just clarifying the rules," a Burton spokesman said. The company said it retained the right to "alter develop, or build on a winning suggestion" in determining the ultimate name of the company, which also operates Racing Green and Evans stores.

Insiders say Mr Hoerner, a Mid-western American, might be keen on Nebraska plc. As the rules do not bar Burton employees from entering, he is free to send himself a suggestion. Entries must be received by 31 August. The winner will be decided by 10 September.

Entries in writing to: John Hoerner, chief executive, Burton Group, 10 Great Castle Street, London, W1N 7AD.

Capital defends director's dealings

Magnus Grimond

Capital Corporation, the London casino group which has just gone through a big management upheaval, looks set to run into further controversy following the disclosure that John Dunlop, a director, had sold £340,000 from an option deal in June. The company notified the Stock Exchange yesterday that Mr Dunlop had sold 333,196 shares at 186p each on 26 June, the day after he had exercised the same number of "management warrants" - equivalent to options - at 90p each.

Capital is in the midst of an inquiry being conducted by the Monopolies and Mergers Commission following the £192m hostile bid from the rival London Clubs International group earlier this year. The 47 for 100 all-paper offer would today be worth 175p a share, with London Clubs up 2.5p at 373p yesterday, had it not lagged following the announcement of the MMC investigation. Capital's shares were up 1p to 183.5p yesterday.

Capital revealed two months ago that its chairman, Garry Nesbitt, was stepping down to be replaced by Ernest Sharp, a former director of Grand Metropolitan. Mr Nesbitt was the target of criticism over the company's poor management controls, most notably over wine purchasing. Some of the sharpest attacks were said to have come from Kenneth Thompson, a former director of Royal Bank of Scotland and Glasgow, who was Capital's acting chief executive for a spell last year. He also stepped down as a non-executive director in May.

A spokesman yesterday defended the share sale by Mr Dunlop, who is said to be considering a property purchase, pointing out that the bid and the impending interim results announcement had reduced the opportunities for transactions.

THE INVESTMENT COLUMN

EDITED BY MAGNUS GRIMOND

Construction upturn set to profit Ashtead

Ashtead has appeared to defy gravity since reinventing itself as an "outsourcer" of industrial equipment in the early 1990s. Over the past five years it has roughly quadrupled its share of the non-operated plant hire market to 14 per cent, making it the biggest in the UK, despite one of the deepest building slumps since the War. And its pure rental profits, stripping out equipment sales, now put it ahead of Hewlett-Packard, the grand old man of the industry.

Ashtead founders Peter Lewis, chairman, and George Burnett, managing director, were reminding their investors yesterday, shareholders have enjoyed a 30 per cent compound annual growth in returns over the same five-year period.

The occasion for all this crowing was the announcement of a 68 per cent rise in profits to £28.3m for the year to April. The figures were undoubtedly boosted by acquisitions, of which the main ones were McLean in the US and Leads Acrow in the UK, acquired for £35m in February 1996. Leaving those aside, along with some smaller purchases during the past year, nearly half the 54 per cent jump in sales to £1.48m was generated from existing operations.

So even if much of Ashtead's extraordinary expansion has been acquired, it has also proved itself capable of growing the business. Much of that is due to heavy investment, backed by prodigious cash flow, at a time when rivals have not had the balance sheet strength to gear up. Last year saw capital expenditure on plant rise 23 per cent to £94.5m, with some 60 per cent of that covered by cash flow of £57.4m. With a similar sort of expenditure pencilled in for the current year, Ashtead, as one of the few large players to emerge in plant hire, should be well placed for an upturn in a building and construction sector which has increasingly divested its own plant and equipment.

The group has had little help from any revival in the market thus far. Rental rates slipped another 5 per cent last year, leaving them some 30 per cent below 1989 levels, and operating margins in the UK fell from 18.8 to 17 per cent. But, significantly, Ashtead pushed through its first price rises for around eight years in April and, although small, they appear to be sticking.

With the fashion to our source gathering momentum and the water, gas and elec-

tricity industries starting to spend again, the UK background looks better than it has for some time. Meanwhile, in the US, where growth in an underdeveloped market is forecast at 20 per cent this year, the prospects appear even better.

Profits from Sunbelt, which operates in seven south-eastern states, nearly tripled from £4.1m to £11.7m last year. Mr Lewis reckons they can more than triple the company's profit centres from 30 to 100 before moving into Texas and also possibly the West Coast.

Meanwhile, group profits of £34.5m this year would put the shares, up 10p to 302.5p, on a forward multiple of 16. Still reasonable value.

Currency fears knock Ellis

Chemicals group Ellis & Everard has come back down to earth with a bump in the last six months. For four years from 1992-96 the company saw its shares bound ahead as a series of small acquisitions combined with decent organic growth to restore profits after a setback in 1992. The company has gradually carved out a niche buying bulk chemicals, breaking them down and supplying smaller companies which the big manufacturers choose not to supply directly.

But this year Ellis & Everard shares have lost almost 25 per cent of their value, falling from a high of 320p in January to 240p, up 1.5p yesterday. What happened? Most of the

collapse seems to have been due to negative sentiment surrounding the sector as a result of currency concerns. This is a bit harsh on Ellis, which does not have much of an export business. However, profits from its low margin US operations are at risk from the currency impact of translating them from dollars. Another factor depressing the shares was a broker shifting a big line of stock a few weeks ago.

Profits for the year to April were 16 per cent ahead at £29.6m, which was in line with expectations. The strength of sterling knocked £500,000 off profits in the second half of the period and, if rates remain broadly unchanged, the hit will be about the same in the first half of this year.

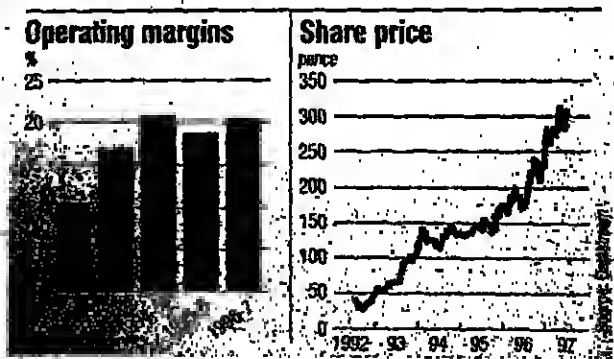
Eight acquisitions in the last financial year took Ellis further into the US, which already accounts for a half of group sales. Yesterday it announced the acquisition of Moxel, a specialty chemicals distribution group for £13.1m. Though the operating margins are poor - £1.3m profit on £62m of sales - Ellis chief executive Peter Wood reckons it can improve margins to 3 per cent.

Ellis & Everard will remain vulnerable to the current jitters about the chemicals sector. But it is a well-managed business in both cost-cutting and acquisitions. On Kleinwort Benson's current year forecast of £34m, the shares trade on a forward rating of just over 9. While the stock may tread water in the short term due to the strong pound, this lowly rating could make them an attractive, low-risk bet.

Ashtead: At a glance

Market value: £417m, share price 302.5p (+10p)

Five-year record	1993	1994	1995	1996	1997
Pre-tax profits (£m)	2.8	7.0	13.6	16.8	28.3
Dividends per share (p)	1.38	1.73	2.53	3.04	3.65



Ascot to start Suter sell-off

Investors expected great things of Ascot when Howard Dyer arrived as chairman. Mr Dyer had built up a strong City following as a successful director of Williams and then at toy retailer Hamleys, where he was credited with turning round a group which seemed in terminal decline. So his first big acquisition at Ascot, the £277m purchase of mini-conglomerate Suter last summer, was greeted with some optimism.

Since then, however, the shares have lost their gloss, falling by more than a third. Ascot has plenty of reasons to explain the fall. Conglomerates, especially small ones, have fallen out of fashion with investors it says. Former Suter shareholders who received

part of their payment in Ascot shares have also been selling their stakes. And Mr Dyer recognises Ascot's price has got ahead of itself, trading well above net asset value.

The fact remains that Mr Dyer has done very little with Suter's businesses so far. A few of Ascot's old assets, such as hotels and pubs, have been sold but big disposals have been conspicuous by their absence.

That is about to change. Rico, its South African fridge business, Presto, which makes cutting tools and Depex, which sells beauty therapy equipment, are likely to go within the next few months. The car parts division is likely to be sold within the year.

That will leave Ascot as an engineering and chemicals

business and when the dust settles Mr Dyer plans to hit the acquisition trail. Yesterday he hired another city heavyweight, former LucasVarity finance director John Grant, as chief executive to help him get on with the job. It looks a sound appointment. After all, Mr Grant in effect ran LucasVarity for the best part of a year when George Simpson ran off to join GEC.

Kleinwort Benson forecasts current year profits of £28m, putting the shares, up 6p to 258.5p yesterday, on a prospective p/e ratio of 9. Mr Dyer needs to make a decent acquisition to return Ascot's share price to its former glory. That said, the shares have probably reached the bottom and should begin to recover as the sell-off starts. Good luck.

FREE: Thai food dish up to the value of £8

The Independent and Independent on Sunday are giving you the opportunity to claim a free Thai food dish up to the value of £8 at a selection of Thai restaurants.

By using the voucher (previously printed on July 12th, 13th and 14th - a further voucher will be printed in The Independent on Friday 18th July) you can claim your Free Thai food dish, per table reservation from the main menu up to the value of £8 at one of 41 participating restaurants. The list of participating restaurants previously published in The Independent and Independent on Sunday on July 12th and 13th, will be printed again in The Independent on Friday 18th July. All the participating restaurants are members of the Thai Restaurant Association (UK).

HOW TO BOOK

Firstly, phone up the restaurant of your choice from the list published and identify yourself as an Independent diner. You will need to check with the individual restaurants for their opening times and pre-booking is essential. Then simply cut out the voucher and take it to the restaurant of your choice and present it at the time of order, indicating either a starter or a main dish from the full priced menu that you wish to claim as your free dish. The vouchers can be used until 31st August 1997.

So, why not bring a spot of Thailand to your palate, whether it's dumplings, intensely flavoured soups, pad Thai, satay, spicy salads, mouthwatering curries or sweet sticky rice? The choice is yours.

Correction: The Thai Thani restaurant, Streatham, SW16 was printed with the incorrect phone number. The correct number is 0181 708 7029.

SOMTAM (Green Papaya Salad)

Ingredients (1 serving)

- 4 oz/120g Grated raw green papaya
- 1 clove Garlic (small, peeled)
- 1 tsp/5ml Roasted peanuts
- 2 Medium fresh red or green chillies
- 2 Long beans (chopped into 1/2 inch pieces) (use french beans as a substitute)
- 2 tsp/30ml Fish Sauce
- 1 tsp/5ml Dried Shrimp (ground)
- 1 tsp/5ml Lemon juice
- 1 Sugar
- 1 Medium-sized Tomato (sliced into rounds)
- Lettuce and parsley to garnish

Method

1. Use a hand grater sliding the vegetable down its whole length in order to obtain the longest possible gratings. If green papaya is not available, grated carrot or finely shredded white cabbage could be used as substitutes.
2. Pound the papaya with the garlic either in a clay mortar or mixing and squeezing it gently with a spoon in a bowl.
3. With a pestle and mortar or in a bowl, gently mix all the ingredients together, beginning with the hardest and then adding the liquids.
4. Alternate pounding and turning with a spoon until all are thoroughly blended.
5. Turn onto a serving plate lined with lettuce and parsley

Serve either as a starter or ideally served with sticky rice

The Taste of Thailand by Valcharin Bhunichit published by Pavilion Books

TERMS AND CONDITIONS

1. The voucher is valid only on the day of the offer and is not valid on any other day. It is not transferable and cannot be exchanged for cash. 2. The voucher is valid only at the participating restaurants listed in the voucher. 3. The voucher is valid only at the participating restaurants listed in the voucher. 4. The voucher is valid only at the participating restaurants listed in the voucher. 5. The voucher is valid only at the participating restaurants listed in the voucher. 6. The voucher is valid only at the participating restaurants listed in the voucher. 7. The voucher is valid only at the participating restaurants listed in the voucher. 8. The voucher is valid only at the participating restaurants listed in the voucher. 9. The voucher is valid only at the participating restaurants listed in the voucher. 10. The voucher is valid only at the participating restaurants listed in the voucher.

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THE INDEPENDENT

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market report / shares

Preference for gilts fails to slow Footsie's record run

MARKET REPORT

DEREK PAIN

stock market reporter of the year



On the day Merrill Lynch declared that fund managers were "keeno sellers" of equities Footsie stretched to a peak, gaining 57.9 points to 4,857.4. The US investment house regularly polls institutional investors for their views on the stock market.

The latest survey, published yesterday, said: "Fund managers are looking to raise their exposure to UK gilts and reduce their exposure to UK equities." It said buyers of Government stocks outnumbered sellers by 29 per cent - the largest majority since December, 1994.

Managers were switching to Government stocks, it concluded, because they were pessimistic about interest rates and few expected economic activity to strengthen. The abolition of tax credits was another inhibiting influence.

Merrill Lynch's Bijal Shah said the survey "indicated

some nervousness among professional investors" but they could be buying "despite their misgivings".

The securities house's current year-end Footsie forecast is 5,000 points.

Although Merrill Lynch had the misfortune to publish a bearish survey when the stock market was in rampant form, it called pharmaceuticals correctly. Drugs were favoured by fund managers and they were in the forefront of yesterday's surge, which occurred against the backdrop of unexceptional trading levels.

US influences were mainly behind the outbreak of drug enthusiasm. The British drugs contingent has yet to enjoy the sort of ratings which most of their transatlantic counterparts are accorded and the US interest was said to reflect New York's search for cheap stock.

A buy circular from NatWest Securities was another factor

and, just to keep the pot boiling, Roche, the big Swiss group which has been linked with almost every drug company of note, is due to disclose sales figures this week. Such is the fever of expectation in the industry that any statement from Roche, no matter how mundane, is regarded as having the potential to create excitement.

So Glaxo Wellcome jumped 59.5p to 1,376.5p. Zeneca, where takeover hopes still linger, 78.5p to 2,158.5p and SmithKline Beecham 43p to 1,247p. Even British Biotech joined the advance, up 12.5p to 167p.

Imperial Chemical Industries led the blue-chip charge

with a 69.5p gain to 880p as the \$300 bulk chemicals sale to El DeFont de Nemours, the US giant, captivated the market with talk ICI could hit 1,000p.

The group, which has sadly underperformed in recent years, is attracting growing US support and its ADRs touched a 12-month high in New York.

Once again it was a case of two markets - the blue chips and the rest. Most of the investment activity was concentrated among the leaders with the second and third liners largely neglected. Indeed, the FTSE SmallCap index managed a 1 point gain to 2,205.4.

BT, after Friday's shock profit warning from its in-

tended US partner, MCI, had another busy line session with the shares gaining 16p to 456.5p. Desperate attempts by arbitrageurs to close their positions was largely responsible for the partial recovery.

Storehouse firmed to 212p. BZW, the investment house which has been a long time bear, has taken the shares off its sell list. In the past year Storehouse has fallen from 319p to 185.5p shortly before last week's moderately better-than-expected trading update.

Another far from buoyant retailer, WH Smith, put on 9p to 350.5p, partly on takeover hopes with Tesco regarded as the most likely bidder. Tesco and the other superstores which had strong runs last week eased on profit taking.

Some of the hard pressed exporters perked up. Wolseley, the building materials distributor, hardened 23p to 456.5p and Cookson, the industrial

materials group, put on 8p to 194.5p. David Smith, the paper and packaging group, rose 15p from its 12-month low to 184.5p as a hovering line was cleared. Year's results are due tomorrow with around £90m (against £125m) expected.

Rolls-Royce, however, dived a further 8.5p to 216p, equalling their year's low, and Thorne found yet another resting place following its demerger from EMI, falling 18.5p to 158.5p following a profits warning.

Manchester Utd firmed to 651p after chief executive Martin Edwards sold 405,000 shares at 560p.

Barr & Wallace Arnold bounded a further 26p to 316.5p on the planned sale of its leisure division and DBS Management, the financial group, lost 67.5p to 1,077.5p as the Personal Investment Authority confirmed it had started disciplinary action.

Friendly Hotels is thought to have clinched the sale of its loss-making office services division which has been in the market for more than a year. The deal will allow it to concentrate on its hotels, strengthened by its links with US group Choice Hotels International. Whispers of takeover action refuse to die although a hostile bid would be difficult to negotiate. The shares are 139.5p.

Arcon International, the Irish zinc-lead miner, is planning to demerge its oil and gas operations through the creation of a company, Providence Resources, which will be floated on the Irish Stock Exchange.

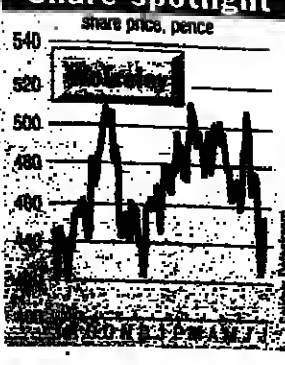
Camell Laird, the ship repairer, closed at 114.5p after being launched at 100p through an institutional placing.

Taking Stock

Data Bank

FTSE 100	4857.4	+57.9
FTSE 250	4423.9	+15.6
FTSE 350	2325.9	+24.1
SEAO VOLUME	737.4m shares	
52-735 bargains		
S&P Index	95.65	-0.49

Share spotlight



Alcoholic Beverages

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Banks, Merchant

Barclays	100.00	100.00
Barclays	100.00	100.00
Barclays	100.00	100.00

Banks, Retail

Barclays	100.00	100.00
Barclays	100.00	100.00
Barclays	100.00	100.00

Breweries, Pubs & Rest

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Food Manufacturers

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Electricity

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Building/Construction

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Electronics

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Gas Distribution

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Health Care

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Household Goods

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Insurance

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

International

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Chemicals

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Distributors

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Engineering Vehicles

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Investment Companies

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Investment Trusts

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Leisure & Hotels

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Oil Exploration

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Oil Integrated

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Other Financial

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Pharmaceuticals

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Printing & Paper

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Property

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Support Services

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Tobacco

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Transport

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Water

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Rights Issues

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Recent Issues

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Share Price Data

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

The Independent Index

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Market leaders: Top 20 volumes

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

FTSE 100 index hour by hour

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Telecommunications

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Textiles & Apparel

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Retailers, Food

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Retailers, General

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Government Securities

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Index-linked

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Shorts

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Longs

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00

Updated

Adnoca	100.00	100.00
Adnoca	100.00	100.00
Adnoca	100.00	100.00



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Technology set to show its strength in currency debate

Sterling officially back at DM3.00? The dollar at a six-year high? The first has happened despite the widespread view that this is not sustainable, the second despite a widening current account deficit. Why are these seemingly perverse things taking place? Have the markets gone mad? Not really. What has taken place in the past few weeks has been the perceived status of the euro has shifted in a quite extraordinary way. Sterling and the dollar are attractive partly because of interest rate expectations, but that is only a surface reason, for we all knew weeks ago that rates on both sides of the Atlantic would move higher this year. The underlying reason for the change in sentiment is because investors do not want to hold any currencies which might be converted into the euro. Sterling and the dollar are safe havens.



Hamish McRae
Our leaders aren't making contingency plans. The private sector is doing it for them

The markets still seem to believe the euro will happen. They reckon it may even happen on time, though this looks less likely by the day. But it has become radically more likely that, if it does happen on time, it will be a weak currency. The reasons for this might be, in particular in Germany which would have exchanged the mark for the euro, hardly bear thinking about. I happen to think that the probability of the euro happening during the next 10 years is less than even. That is still a minority view, but the balance is swinging that way. Given the increasing likelihood of failure, or at least delay, you would imagine that our European leaders were doing some contingency planning. How might European economic integration be pushed forward in the absence of a single currency? They are not. Or at least they are not a squeak has emerged.

Some examples. The most obvious is the way in which, for retail payments, credit cards are gradually being replaced by the benefits of an international currency. At the moment there are still barriers in transaction cost, currency conversion, speed and security. But the shift to debit cards is cutting transaction costs dramatically: in the US this is typically about one-third of a credit card. As the experience of the telephone companies in handling micro-payments is applied to retailing more generally the transaction cost of electronic sales could fall to fractions of a penny—just like the transaction cost of a phone call. Currency? Technically it would be possible to have instant currency conversion, so that the purchaser would see the price in his or her local currency, and pay that precise price. We are not there yet, though an interesting intermediate stage has been reached at Heathrow, where some of the shops offer their own (more favourable) exchange rate for non-sterling purchases, in effect making up their own ex-

change rates rather than taking those handed down by the market. Speed? As telecommunications links, tills and card verification all continue to improve, soon card transactions will become significantly quicker than cash ones. And finally security: here there are two camps. One reckons it will be possible to make credit (or debit) card transactions totally secure by adding voice recognition, or a palm-print reader. The other camp believes the way forward for small transactions is the smart card. The prototype here is Moxter, the card developed by a consortium led by NatWest, where the value is embedded in the card and deducted each time it is used. The card can be recharged at points in banks and retailers, rather like cash dispensers. Interestingly, Moxter has been bought by Mastercard. From the point of view of the supplier, the smart card has enormous attractions. The "money" is carried around by the user, just like cash, so there is no serious security problem. All that can be lost is the cash embedded in the card. The cash could also be withdrawn in any currency, just like a credit card, so in theory it could be a new international currency, usable anywhere in the world. Whether people want to use it is less clear. We simply do not know. But if Moxter and its successors do not fit it will be for social reasons, not technical ones.

Finding retail transactions within Europe so that everyone can use their own currency is the most obvious potential benefit from technology, but in terms of total economic impact it is relatively unimportant. For commerce the real benefits of a common currency include common pricing and the elimination of exchange risk in long-term contracts. Common pricing is one of the most important single commercial benefits of a common currency. At the moment companies can price differently in different markets because the exchange rate conceals these differences. If they had to price the same, it would encourage

them to concentrate production in the lowest-cost areas, rather than source locally and charge higher prices in high-cost locations. Technology cannot force common pricing to the same extent that a common currency would do, but it is going to make pricing more transparent and the more it does so, the more pressure there will be on producers not to over-price. The mechanism here is the Internet, or rather some refinement of what is still a crude prototype of what linked computers will become. One of the effects of the Internet in the US has been to give buyers infinite information about pricing. The price of any commodity, or commodified service, is infinitely available. Electronic search engines are being developed to hunt out the cheapest deal. The effect is to make the market much more efficient. Add in automatic currency conversion and any business will be able to cross-check the price of any commodified product or service. Technology will create transparency of pricing. What it will not do is eliminate exchange risk. What it may do, however, is to cut the cost and extend the capability of hedging. At the moment companies hedge their short-term exchange rate exposure. They do not cover their long-term exposure because the costs become prohibitive. But the use of technology ought to enable financial institutions to make a step change in the cost of operation, which in turn will tend to be passed on to customers. So at one remove technological advance will even help here. It would be absurd to try to claim that technological advance will make the euro irrelevant. It is not a substitute, because conceptually economic integration that results from technical change is different from economic integration that results from political change. But what it can do is to cut many of the costs of having multiple currencies. And if the project fails, Europe will need all the help it can get to maintain the momentum of economic advance.

Treasury staff may find a home at Trafalgar Square

PEOPLE & BUSINESS



Gordon Brown (left) has changed a plan by Kenneth Clarke temporarily to move Treasury personnel south of the Thames

Treasury civil servants have been mortified by a memo from Gordon Brown's private office advising them that the Chancellor likes to read his Ministerial papers between 6am and 8am each day. The sting in the tail is that everyone who writes papers for him must provide home numbers so he can phone them if he has any queries.

While civil servants are still recovering from this blow they can comfort themselves with the news of a U-turn over the Treasury building's refurbishment. Ken Clarke hatched a plan to develop half the Treasury building in Whitehall as *bijoux* apartments, while the other would be started up for the department. This involved Treasury personnel temporarily moving out to a tatty office building on the south side of Vauxhall Bridge. Some Whitehall cynics viewed the project as an elaborate joke by Mr Clarke on his stern Scottish successor.

Now Geoffrey Robinson, Paymaster General, has decided to press ahead with the refurbishment as a PFI project, but the move to Vauxhall has been ditched. Instead the Treasury will look for more convenient (and agreeable) temporary offices. Treasury mandarins are already eyeing MAFF's building near Trafalgar Square, I hear.

The attempt to find new backers for the troubled newspaper *Sunday Business*, which I wrote about last week, appear to have foundered.

The immediate crisis came about when Gordon Brown, a northern industrialist who owns three-quarters of the paper, went bust. His receivers, Coopers & Lybrand, were hoping to sell the stake to Owen Oyston, the jailed entrepreneur, in a deal put together by ex-founding editor Tom Rothery. The deadline for the deal passed yesterday afternoon at three, and receivership now looms for *Sunday Business*. A sticking point appears to be the ownership structure of the paper. Mike Johnson, the businessman behind *PizzaExpress*, owns around a fifth of the paper, but with the right to appoint a

majority of its directors. A spokeswoman for the receivers said yesterday this gave Mr Johnson a "veto" over any sale of the paper. "It was a sticking point with the original deal," she said. "Mr Rothery yesterday said he was 'unqualified to comment' about the future of the paper, saying he had tried to help refinance it but 'I don't think we succeeded'." He's now concentrating on an Internet project. Yesterday forlorn groups of *Sunday Business* staff – there are 60 of them – hung around outside the paper's Cavendish Square offices, hoping to pick up some of their back pay. Coopers is hopeful that even if the paper goes into receivership it can be sold as a going concern, thus saving those jobs.

Evel Knievel is following the *Sunday Business* story with interest. Not the American motorcyclist that is – this is the *nom de guerre* of Simon Cawkwell, the maverick investor who writes a column for *Sunday Business*. "If the paper is refinanced, then I'll be back on track. If not, I'm open to offers," he told me yesterday.

Mr Cawkwell has been giving a hard time to Display IT, a troubled Internet-based company in which Mr Cawkwell admits he has

a short position. Display IT's shares recovered 12p to 265p yesterday, still down on the 810p they touched earlier this year. Regarding that precipitous decline, Display IT's directors are muttering about "share manipulation". They can agree with Mr Cawkwell on one point. He says: "This story has much further to go."

There's a new Broom at *Accountancy Age*, the bean counters' weekly magazine. Douglas Broom, who has edited *Public Finance* magazine for the past three years, will take over as AA's editor in August. He fills the chair left by Andrew Fring, who unexpectedly parted company with the mag in April due to "irreconcilable differences" with management. Let's hope Mr Broom's sojourn will be happier.

Morgan Stanley's retail team can't move more industry experience than most. Julie Ranshaw, stores analyst from 1990 to 1996, has returned from an ill-fated stint at Laura Ashley and is now UK retail analyst. This has involved moving Victoria Melander to become European apparel and sports clothing analyst, with Claire Kent covering European retail.

John Willcock

Foreign Exchange Rates

Country	Spot	1 month	3 months	D-Mark	Spot	1 month	3 months
US	1.6883	78.18	54.51	1000	0.5984		
Canada	2.3100	71.48	208.20	1368	32.31	88.48	
Germany	1.0000	91.49	281.27	1718	38.88	107.18	
France	1.0208	340.30	300.80	60490	181.13	359.348	
Italy	2.0372	12.14	15.07	1738	174.70	465.480	
Spain	162.13	64.10	307.32	1020	54.23	181.61	
Japan	153.14	35.31	108.07	1025	74.15	46.47	
ECU	66.423	21.18	39.50	30390	78.74	223.224	
Netherlands	115.94	340.20	191.90	1000	100.00	300.00	
Belgium	34.038	108.98	319.304	2081	45.42	126.27	
Ireland	118.92	9.2	22.16	9.2	9.2	9.2	
Norway	2.0836	30.20	99.89	147.12	436.49	101.02	
Sweden	254.00	37.26	16.97	15030	5.4	23.21	
Switzerland	13.88	10.240	920.890	7397	93.88	289.278	
Australia	2.4892	14.10	340.32	149.18	9.1	81.39	
Hong Kong	2.2910	9.3	30.20	13589	3.1	6.7	
Malaysia	4.3397	34.61	132.13	2380	40.50	126.14	
New Zealand	2.2379	2.4	2.14	15092	7.9	31.33	
Saudi Arabia	5.3332	37.35	120.32	3739	6.4	5.8	
Singapore	2.4357	45.44	150.11	1445	16.18	55.53	

Other Spot Rates

Country	Sterling	Dollar	Country	Sterling	Dollar
Argentina	15886	0.0998	Nigeria	14105	83.5000
Austria	217232	0.0009	Tanzania	10812	0.3850
Brazil	12662	1.0002	Pakistan	63.518	40.0750
China	5.4008	8.2500	Philippines	15.084	30.5000
India	5.7369	54.0000	Poland	30.518	30.5000
France	3.2245	3.2245	Romania	3.461	34.7500
Greece	49.029	260.000	Russia	97.541	57.5000
Indonesia	63.146	357.250	South Africa	7.250	7.2500
Israel	0.315	0.0225	UAE	4.781	27.9400

Forward rates quoted high to low are at a discount; subtract from spot rate. Rates quoted low to high are at a premium; add to spot rate. *Dollar rates quoted as reciprocal. For the latest foreign exchange rates call 0991 123 3333. Calls cost 50p per minute.

Interest Rates

UK	Germany	US	Japan
Base	6.75%	Discount	0.50%
Bank	6.75%	Prime	5.00%
Interbank	3.00%	Discount	5.00%
Prime	4.75%	Prime	5.50%
Discount	6.25%	Discount	5.50%
Overnight	2.50%	10-Day Repo	5.25%
Advances	2.50%	Discount	5.25%
		Repo (Avg)	4.50%
		Lombard	100%

Bond Yields

Country	Yield	Yield	Yield	Yield	Yield	Yield
UK	7.0%	7.1%	7.2%	7.3%	7.4%	7.5%
US	6.5%	6.1%	6.2%	6.3%	6.4%	6.5%
Japan	5.2%	5.1%	5.2%	5.3%	5.4%	5.5%
Australia	10.0%	9.8%	9.9%	10.0%	10.1%	10.2%
Germany	6.0%	4.8%	5.0%	5.2%	5.4%	5.6%
France	4.75%	4.4%	4.5%	4.6%	4.7%	4.8%

Money Market Rates

Overnight	1 month	3 months	6 months	1 year
Interbank	6.5%	6.5%	6.5%	6.5%
Bank	6.5%	6.5%	6.5%	6.5%
Local Authority	6.5%	6.5%	6.5%	6.5%
Discount	6.5%	6.5%	6.5%	6.5%
Treasury Bill (91)	6.5%	6.5%	6.5%	6.5%
Dollar Cdn	6.5%	6.5%	6.5%	6.5%
ECU United	6.5%	6.5%	6.5%	6.5%

Tourist Rates

Country	Rate	Country	Rate
Australia	2.2250	France	6.7175
Austria	2.2250	Germany	6.7175
Belgium	2.2250	Italy	6.7175
Canada	2.2250	Japan	6.7175
Czech	2.2250	Netherlands	6.7175
Denmark	2.2250	Portugal	6.7175
Egypt	2.2250	Spain	6.7175
Finland	2.2250	Sweden	6.7175
Greece	2.2250	Switzerland	6.7175
Hong Kong	2.2250	Taiwan	6.7175
India	2.2250	Thailand	6.7175
Indonesia	2.2250	USA	6.7175
Israel	2.2250	UK	6.7175
Italy	2.2250	Yugoslavia	6.7175

Life Financial Futures

Contract	Settlement price	High/Low	Settlement price	High/Low
Long-Term	114.08	114.30	114.08	114.30
Short-Term	114.08	114.30	114.08	114.30
3 Mth Euro	114.08	114.30	114.08	114.30
3 Mth US	114.08	114.30	114.08	114.30
3 Mth JPY	114.08	114.30	114.08	114.30
3 Mth AUD	114.08	114.30	114.08	114.30
3 Mth NZD	114.08	114.30	114.08	114.30
3 Mth CAD	114.08	114.30	114.08	114.30
3 Mth CHF	114.08	114.30	114.08	114.30
3 Mth SEK	114.08	114.30	114.08	114.30
3 Mth NOK	114.08	114.30	114.08	114.30
3 Mth DKK	114.08	114.30	114.08	114.30
3 Mth ISK	114.08	114.30	114.08	114.30
3 Mth PLN	114.08	114.30	114.08	114.30
3 Mth ZPL	114.08	114.30	114.08	114.30
3 Mth CZK	114.08	114.30	114.08	114.30
3 Mth HUF	114.08	114.30	114.08	114.30
3 Mth SKK	114.08	114.30	114.08	114.30
3 Mth BSK	114.08	114.30	114.08	114.30
3 Mth MKD	114.08	114.30	114.08	114.30
3 Mth BGN	114.08	114.30	114.08	114.30
3 Mth RON	114.08	114.30	114.08	114.30
3 Mth BMD	114.08	114.30	114.08	114.30
3 Mth BZD	114.08	114.30	114.08	114.30
3 Mth GTQ	114.08	114.30	114.08	114.30
3 Mth HND	114.08	114.30	114.08	114.30
3 Mth INR	114.08	114.30	114.08	114.30
3 Mth JPY	114.08	114.30	114.08	114.30
3 Mth KRW	114.08	114.30	114.08	114.30
3 Mth LKR	114.08	114.30	114.08	114.30
3 Mth MYR	114.08	114.30	114.08	114.30
3 Mth NGR	114.08	114.30	114.08	114.30
3 Mth PHP	114.08	114.30	114.08	114.30
3 Mth PKR	114.08	114.30	114.08	114.30
3 Mth SGD	114.08	114.30	114.08	114.30
3 Mth THB	114.08	114.30	114.08	114.30
3 Mth VND	114.08	114.30	114.08	114.30
3 Mth ZAR	114.08	114.30	114.08	114.30
3 Mth ZMW	114.08	114.30	114.08	114.30
3 Mth ZTL	114.08	114.30	114.08	114.30
3 Mth ZWD	114.08	114.30	114.08	114.30

Life FTSE 100 Index Option

4.87	5.50%	0.82
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6 Months	1 Year	
7 1/4	7 1/4	7 1/4
7 1/4	7 1/4	7 1/4
7 1/4	7 1/4	7 1/4
-	-	-
-	-	-
5.82	5.76	
4 1/4	4 1/4	4 1/4

Settlement price:	
Series	
Jul	
Aug	
Sep	
Oct	

Energy	
Brent Crude	(per bbl)
IPE 5.50pm	*1000
Aug 17.92	-0.17
Sep 17.58	-0.18

Cigar to relax in seclusion to overcome infertility

Greg Wood on new tactics to help the world's top racehorse over his problems

When it emerged earlier this year that Cigar, the finest American racehorse of the last two decades, had failed to get a single mare into foal during his first season at stud, most racing fans paused briefly to reflect on one of the turf's more unfortunate little ironies before deciding that it was just one of those things.

But at an insurance company called Assicurazioni Generali, they were not prepared to give up so easily, and with good reason. The firm was the chief underwriter of a policy taken out by Allen Paulson, Cigar's owner, and Ashford Stud, where he was standing, to cover themselves against just such an eventuality.

The horse's failure to produce the goods in the paddocks cost the insurers \$25m (£15m), a record payout for infertility. Now, in the hope of recovering at least some of their

losses, they are prepared to try anything to correct the faults in Cigar's reproductive system. The latest person who will attempt to tackle the problem, the doctor of which is thought to be a deficiency in Cigar's sperm which makes them misshapen and immobile, is Phil McCarthy, a vet who specialises in stallion reproduction. He believes that Cigar's difficulties may result from the stress of constant competition over the last four years, a period which included a trip to the Middle East to win the inaugural Dubai World Cup, and during which he rarely went for more than a month without a race.

"The best thing we've got going for us now is that we know that performance athletes often have fertility problems after

they quit competing," McCarthy says. He has been told that he can do whatever he feels is necessary, with the proviso that the horse must not be harmed in any way. After all, as McCarthy acknowledges, "we must treat him with all the respect that we can because he is an American sporting hero."

His first aim is to relax Cigar as thoroughly as possible, and he has moved his patient to a secluded farm near Paris, Kentucky, where he can live as naturally as possible. The horse who used to put thousands on the attendance wherever he raced is now seen by very few people, and spends at least 12 hours a day amusing himself in his personal, six-acre paddock.

No one expects quick re-

sults, least of all McCarthy, who points out that semen production in horses operates on a 60-day cycle and it could take several cycles before he discovers whether a stress-free existence has had any effect on the shape or mobility of Cigar's sperm.

In the meantime, samples of the horse's semen have been sent to laboratories on three continents for analysis, while experts in the fields of both equine and human fertility have volunteered to assist in the search for a cure for his problem.

McCarthy will be given at least a year, however, to see whether his technique can prove successful. Until then, Cigar will live a life of blissful and absolute relaxation, and since he banked almost \$10m (£6m) in prize-money during his brilliant career on the track, no one could argue that he does not deserve it.



Cigar has a six-acre paddock for his personal use while he readjusts. Photograph: Sam Mirovic/Reuters

Melbourne's rally call to Europe

RICHARD EDMONDSON

Many prospectors struck it big in Melbourne's goldrush of the mid-1850s, but among Britain and Ireland's thoroughbreds there has been only one horse that has hit the seam in the city's prestigious horse race. Since Vintage Crop succeeded in the 1993 Melbourne Cup there have been eight failures, with the closest finisher being the old horse himself, third in 1995.

Recent history has made the Melbourne Cup a mission for the Victoria Racing Club, even more difficult in Europe this summer. Benton, complete with brochures and videos, has been attempting to persuade owners of the better staying horses that Melbourne in spring is the ideal location for a foreign sortie. His main tool of inducement has been money. The winner of the Cup, the fifth richest race in the world, will receive £700,000, and even a finisher as far back as 10th on 4 November will earn £20,000. This is an attempt to defray travelling costs of about £40,000.

So far there are no definite bites on the line, but Benton, who likes to err on the side of exaggeration, believes there will be 15 entries and as many as four runners from the northern hemisphere. Confirmation day is on 1 August and judgement day, when the indicative weights appear, is 1 September. The word is that Jim Bowler, the VRC handicapper, will not be too cruel on our boys in an effort to encourage participation.

The most positive running signals have come from Gado-

phin about their Classic Cliche, who is likely to run next in the Goodwood Cup. David Morley categorically ruled out Melbourne for Celeric after his win in the Ascot Gold Cup, but since then the gelding's owner, Christopher Spence, has been entertained by Benton. The strength of his company and the wine list will soon be evident.

Clerkenwell is also a possibility, as members of Michael Stoute's staff have been seen investigating the Cup's quarantine arrangements at Sandown racetrack, while there is also the chance of a Royal representative. Arabian Story is an outside consideration for Lord Huntlington and The Queen, who, the chagrin of Australia's republicans, is with them every day on the back of their coins.

Whoever goes ought to start charting their programme from here, according to Benton. "They can't treat it as an afterthought," he said from Melbourne yesterday. "It is one of the world's top races and it has to be treated as such, like a Breeders' Cup. They must prepare their horses, like Dermot Weld and Vintage Crop."

"It's extremely important from our point of view that Australian racing has international competition. We believe our racing is as good as anywhere in the world and we pride ourselves with the way we present our racing product." Our bookmakers like to provide themselves on stingy odds and there was no deviation yesterday. Ladbrokes go 20-1 about Classic Cliche, while the Tote offer a less than magnetic 3-1 for a European or Dubai-based victory.

King on the sick list

King Of Kings, who relinquished his "superhorse" status when beaten at the Curragh on Sunday, may have been a sick horse. He did not eat up after returning to the stables of his trainer, Aidan O'Brien, who conceded that his juvenile talent is under a cloud.

The three two-year-olds we took out of Sunday's meeting were off the feed that morning, but King Of Kings seemed

OK," the Ballydoyle handler explained. "It was a pity for everyone that King Of Kings did not stick his head in front. Unfortunately his symptoms were 24 hours behind the others."

O'Brien added that Desert King is unlikely to run in the King George VI And Queen Elizabeth Stakes and instead may go for the International at York or the Prix Jacques Le Marois at Deauville.

Handicapper defends Britain's Classic crop

The British Horseracing Board handicapper Nigel Gray yesterday defended Britain's Classic crop after yet another defeat at the Curragh. The eclipse of Yashmak and Etoile in Sunday's Irish Oaks means that not one of the first four Irish Classics, often dominated by overseas raiders in the past, has fallen to a runner from Britain.

Gray, responsible for assessing three-year-olds, stressed:

"I don't think that means ours is a poor Classic crop. If you look at the performance of the Derby winner Breeze, the Dip in the Scales, the Eclipse, the Epsom, the Oaks, the St Leger, the 1000 Guineas, the 2000 Guineas, the 3000 Guineas, the 4000 Guineas, the 5000 Guineas, the 6000 Guineas, the 7000 Guineas, the 8000 Guineas, the 9000 Guineas, the 10,000 Guineas, the 11,000 Guineas, the 12,000 Guineas, the 13,000 Guineas, the 14,000 Guineas, the 15,000 Guineas, the 16,000 Guineas, the 17,000 Guineas, the 18,000 Guineas, the 19,000 Guineas, the 20,000 Guineas, the 21,000 Guineas, the 22,000 Guineas, the 23,000 Guineas, the 24,000 Guineas, the 25,000 Guineas, the 26,000 Guineas, the 27,000 Guineas, the 28,000 Guineas, the 29,000 Guineas, the 30,000 Guineas, the 31,000 Guineas, the 32,000 Guineas, the 33,000 Guineas, the 34,000 Guineas, the 35,000 Guineas, the 36,000 Guineas, the 37,000 Guineas, the 38,000 Guineas, the 39,000 Guineas, the 40,000 Guineas, the 41,000 Guineas, the 42,000 Guineas, the 43,000 Guineas, the 44,000 Guineas, the 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sport

THE OPEN: Troon is bracing itself for Tigermania, which will prove a stern test for organisers and tempers, writes Andy Farrell

Crowds making golf a dangerous game



Centre of attention: Spectators eager to pick the best vantage points for the first day of the Open on Thursday, follow Tiger Woods on his practice round at Troon yesterday

Photograph: David Ashdown



They called it the Ah-erdeen Gate. By making their way along the beach, thousands of people managed to bypass the admission gates and gain free entry to watch Arnold Palmer win his second successive Open.

The championship had not seen crowds like it ever before. As Palmer marched to victory, so the inadequate number of marshals failed to contain the mass of humanity that followed behind. All the competitors were affected, not least Palmer, who had to wait to play on every shot.

"There were virtual stampedes as uncontrollable crowds raced along the fairways to gain the next vantage point," wrote Keith Mackie in his

history of the courses on the Open rota. "Ooe unfortunate golf-writing colleague was flattened in the rush and several people literally ran over him before he could regain his feet. That night, he discovered the clear imprint of spike marks in his back."

That was at Troon in 1962. The Royal & Ancient, the organisers of the Open, took heed and realised that in order to produce the best tournament in the world, it had to be the best run. But 35 years on, the R&A face perhaps their biggest test since Arnie's Army went on the rampage. Tigermania came to Ayrshire yesterday, when the youngest-ever US Masters champion arrived for his first Open as a professional.

While the crowd was no bigger

than usual for a Monday of Open week, most headed out to watch Tiger Woods, although the world No 1 threw a dummy to some of them by setting off for a practice round an hour earlier than expected.

Woods has a police escort with him this week, as well as four specially detailed stewards. Golf, perhaps, offers the best access to autograph hunters, but Greg Norman talked last week about having the "security blanket" thrown over him more often.

"People think they know you from all the media exposure," Norman said. "It has changed in the last couple of years. I have feared for my safety at times."

It is part of playing the star game. All that media exposure helps sell Norman's clothing collection and

Woods' Nike line. But it is one thing getting around off the course, another when spectators involve themselves in proceedings on the course. The most vivid image of the US Open is of Colin Montgomerie standing with his arms raised on the 17th green at Congressional, waiting in vain for the crowd to settle.

"It was the rowdiest gallery I think I have ever seen," Davis Love said. "It's becoming more like a baseball game or a basketball game, where people think they can yell or say anything they want."

Tigermania has brought in new golf fans and Woods appreciates that many of them are unfamiliar with the etiquette of the game. "It would be like me going to watch cricket," he said.

Norman says alcohol is a problem and sales should be restricted. It was probably the cause of the barracking Montgomerie received after a rain delay on the second day at Congressional. A Washington radio station received a call on the Saturday morning from a group who said they had been partying all night and were now going out to "barass golfers".

"We definitely want people to enjoy themselves, but yelling at the players has never been a part of the game," Love said. It is not a new phenomenon, however. Norman, who was involved in an incident at the Kemper Open last month, once asked a spectator to join him after his round for a physical one-on-one at the 1986 US Open.

Bot at Lytham last year, Tom Lehman was spurred on by a "choking" reference from a spectator.

"When I see a player get mad at a fan," Lehman said, "I want to tell them: 'What's your problem? Shake it off.' So what if he doesn't like you. You don't have to like him, either."

According to David Fay, the executive director of the US Golfers' Association: "Golf still has the best code of behaviour of any sport, you can't have 30,000 mannequins. It stands to reason that the atmosphere will probably be less restrained. I don't see any way to reverse that."

Few crowds are more knowledgeable than those that attend the Open. Lehman recalled playing at Sandwich four years ago and missing a shot which ended up 15 feet

from the pin. "The crowd watching me didn't applaud because they knew I did not hit it well and just got lucky," he said. "They know golf, here."

Although picnickers from the Marine Hotel may still have lain out their rugs on the 17th green for a while after the Troon course opened in 1878, those north of the border are more versed than any in the stick-and-ball game. "Scottish fans are the best in the world to play before," Norman said.

What they make of Woods this week will be interesting. The cannot-will no doubt realise that rather than fight for the smallest glimpse of the Tiger, there are plenty of other talented golfers on show to be watched in relative comfort.

Olazabal advances with a spring in his step

You cannot help yourself. Watch Jose-Maria Olazabal and your eyes have to drop downwards. His whippy, youthful swing may have conjured the perfect arc on the ball, yet the extent of his limp intrudes on your appreciation.

It is inquisitiveness laced with concern and something the Spaniard understands. To your position, he would be looking, too. As recently as last month's US Open, his feet rather than his scores also preoccupied him, the pain shooting up his legs a reminder of the 18 months during which he feared his career was over. There will

be many players thankful to be at Royal Troon for the Open this week, yet few will be as grateful as Olazabal.

"The picture was a very dark one," Olazabal said of his mood 12 months ago, when what he thought was rheumatoid arthritis in his right foot made walking impossible. "I thought I might never play golf again. I had to watch the Open on television and the situation was not very pleasant at all."

That is an understatement. Olazabal, the Masters champion of 1994, appeared to be crossing the threshold into the height of his powers when he was struck

Guy Hodgson talks to the man looking to seal his return to health with victory

down. His last, agonising attempt at a tournament had been the Landore Trophy in September 1995, after which he entered into a period of treatment that made his condition worse.

Indeed Olazabal, 31, would probably be burning with frustration watching events from Troon on the small screen this week had he not taken one last shot at recuperation. A friend from his amateur days recommended a doctor in Munich, who diagnosed a hernia trapped

on his spinal column. The pain in his toes was not rheumatoid arthritis, but a long-distance symptom. "All the nerves in your body run through your spine," he said, "and if the gap between the vertebrae is not wide enough, some of them get pinched. The right information was not getting to my legs."

Those wires were disentangled when a two-day visit last autumn to Dr Hans Wilhelm Muller-Wolff became three

weeks and creeping despair became burgeoning hope. Olazabal spent up to six hours a day reconstructing his muscles and four months ago he introduced himself to the European Tour.

His results since - 26th was his worst place until he missed the cut at Loch Lomond last week - would have been satisfactory for almost anyone, but for someone who had not played golf for 18 months, it was staggering. "I don't have a clue why I was in contention straight away," he said. "I thought I'd owed a lot of time to feel comfortable on a golf course, so it was a surprise to me I did as well as I did."

Olazabal, to wholesale amazement, is such a genuine contender at Troon this week that the ambitions he voiced yesterday can not be dismissed as fanciful. "When you come to a tournament like this, you are not looking for second or third position, you are looking for a win. The Open is special. Somehow, when I see off in this tournament it feels different to any other in the world."

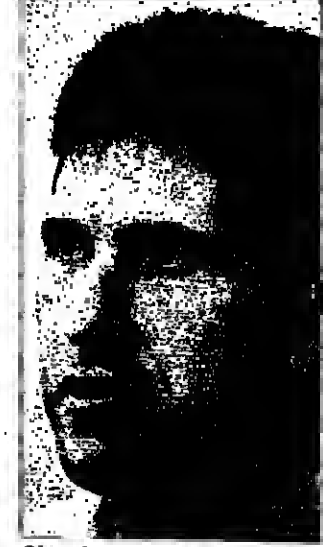
"Anybody who has gone through tough situations gets more mature. I've arrived at the Open a few times striking the ball even better than I am now, but I wasn't as mature. I think

that everything is on my side."

Well, almost everything. This will be the first time he has played three tournaments in successive weeks since his comeback and his missed cut at Loch Lomond ranked him. His driving had let him down, he said. "I would have loved to have been in contention, it would have been the best thing for this week."

The ache in his foot and the exercises to soothe it linger, but it is a measure of how far Olazabal has travelled that tee shots, rather than the shortest walk, trouble him now.

His limp yesterday? There was no sign of it at all.



Olazabal: 'I thought I might never play golf again'



Alison Nicholas claims the biggest prize in women's golf after narrowly beating Nancy Lopez

Photograph: AFP

Nicholas swings high to eclipse an idol

There was something especially poignant about Alison Nicholas's one-shot victory over her idol, Nancy Lopez, in the women's US Open at Pumpkin Ridge on Sunday night.

For it was Lopez who persuaded Nicholas she was good enough for the US Open, who the English professional thought she would not return. And it is 40-year-old Lopez, the idol of the masses, who has still never won a US Open - the biggest prize in women's golf. This was the fourth time she has finished runner-up.

Lopez it was who put the LPGA and women's professional golf on the map 20 years ago, when she burst on to the scene by winning 17 tournaments in her first two seasons. She has 48 career victories.

With typical sensitivity in a her moment of triumph Nicholas, who was born in Gibraltar but

brought up in Yorkshire, graciously deferred to the icon she had beaten, as the tears of sorrow flowed from Lopez.

"I can understand the crowds wanted Nancy to win, but they supported me just as much," Nicholas said. "Nancy is a great champion, a great legend of the game and it was a privilege to play with her."

Nicholas's victory was all the more remarkable considering that she did not take up the game until she was 17. Until then tennis had been the main sporting preoccupation, but her diminutive stature - she is just 5ft - was proving a problem and she switched allegiance. On the golf course her size was far less of an impediment, and within two years she was down to scratch.

Sixteen years later she has joined her sport's elite, after remaining calm during a thrilling final day's play. Nicholas, who

Liz Kahn on the British golfer who beat her mentor to claim the US Open

is known as a tidy, accurate and consistent golfer, is pound for pound one of the longest strikers off the tee, and was sometimes, to the amazement of the crowds, ahead of Lopez.

All the same Sunday's victory required all Nicholas's fighting qualities, and even when she eagled the long fourth by pitching straight into the hole, she allowed herself only a sober salute of acknowledgement. Paired with Lopez, Nicholas was three ahead going into Sunday's round and the American flung out a birdie from three feet at the first. While Nicholas eagled the fourth, Lopez birdied and still found herself trailing by three shots.

With precious little between them, Nicholas remained ahead

and only at the 14th did her nerves jangle, as she wedged 20 yards over the green into some jungle-like rough. A penalty drop gave her a double-bogey and cut her lead to one shot.

A duffed chip meant that Nicholas bogeyed the 17th but, having found sand, so did Lopez and the American remained one shot behind. After two booming drives at the 18th the pair were still neck and neck, but Nicholas played the better second to the fringe, while Lopez had to chip from the right rough to 15 feet. The crowd was willing her to sink it to go into a play-off, after Nicholas had putted to a foot, but Lopez felt the tears pricking as her shot splintered past the hole.

"It was really fun. It's just a fantastic feeling to walk down those

fairways trying to win the US Women's Open and I enjoyed every minute of it," Lopez said.

Nicholas bugged her caddy, Mark Fulcher, who was undoubtedly a key figure in her victory. A recent partnership, Fulcher used to caddy for Laura Davies. He is known for his positive outlook and is one of the best in the trade.

Mickey Walker, the former Solheim Cup captain, was quick to praise the performance of one of her team. "I was not surprised to see Ali win. She has been working very hard on her fitness and mental ability with trainer, Paul Darby, on her swing with Lawrence Farmer," Walker said. "Her biggest weakness used to be moaning and being down on herself. The way she carried herself and her whole demeanour last week, was most impressive."

Nicholas's breakthrough came when she won the 1987 British Strokeplay (she has also been a Yorkshire champion), but she was overlooked for the 1984 Curtis Cup and turned professional.

The first of her 12 victories as a professional came in the 1987 women's Open over the tough St Mellion course. Always a stalwart of the Solheim Cup in partnership with her great friend Nicholas home at Pumpkin Ridge, despite having missed the cut herself.

Nicholas did not enjoy her first spell on the American tour in 1990, but Lopez was instrumental in persuading her to return in 1993 and she was rewarded with two victories in 1995. Her friendship with Betsy King in America has taken Nicholas into the circle of Christians in Sport.

Keast climbs ladder at Quins as Worcester lure Cusworth

Rugby Union

Andy Keast, technical coach to the Lions in South Africa, and Les Cusworth, the England assistant coach, both took on new coaching roles yesterday.

Keast has been promoted to director of rugby at Harlequins as the London club introduce a southern hemisphere-style coaching system. He coached

Quins to third place in the league and to the Pilkington Cup semi-final last season. Cusworth takes the same job title at Worcester.

Keast will be responsible for all coaching and playing matters at The Stoop, while contractual and financial arrangements will be left to the chief executive, Donald Kerr.

Keast's promotion backroom comes as Quins attempt to "streamline" club business

in the wake of Dick Best's sudden departure at the end of last season. Best, a former England coach, was sacked by Quins only two years into a 10-year rolling contract after discontent surfaced among the playing squad about training schedules.

Keast said: "I hope I can fill the void left by Dick Best's departure. Dividing the squad management responsibilities in this way is designed to enable

the director of rugby to concentrate his efforts on playing and coaching whilst ensuring that the business management of the squad continues on a sound footing."

"Many clubs in the southern hemisphere have found such a system to be beneficial to both players and the club. It is important that we streamline the club to keep up with the modern game."

Meanwhile, Malcolm Wall

has succeeded Roger Looker as chairman at The Stoop. The 40-year-old former Quins lock is the deputy director of United Broadcasting and Entertainment, which owns the ITV companies Anglia, Meridian and HTV.

The appointment of Cusworth, who has just returned from England's one-off Test with Australia in Sydney, is a major coup for Worcester. He will sign today with last season's

Courage Division Four champions after several meetings with Worcester's multi-millionaire backer, Cecil Duckworth.

Mike Robins, the club chairman, said: "We are starting to attract top-class players and you must get the best coach for them. They don't come much better than Les."

"He did not take much persuading to come here. The England job is part-time and, if the terms were right, I think he

was looking to get involved in the game at club level. This role appealed to him."

Worcester had also been in negotiations with the former England full-back Joost van der Grinten for the post but his club, Bath, refused to release the player from his contract.

Worcester will be happy to allow Cusworth to continue as Jack Rowell's No 2 if he is re-appointed by England.

Robins said: "He did say

when we made the offer if we would be prepared to let him carry on with England and we were more than happy to say 'yes'. It would give great ladders to the club."

Cusworth, who will meet the Worcester players for the first time at this evening's training session, began his career with Wakefield before joining Moseley. He then moved to Leicester whence he gained a dozen England caps.

Prancing Horse overshadows Williams' celebrations



Song and dance: Damon Hill celebrates his first point with Chris de Burgh on Sunday night. Photograph: AFP

Motor racing DERICK ALLSOP

They parted deep into the evening and had every right to. One hundred grand prizes at a strike rate substantially superior to that of Formula One's other contenders, McLaren and Ferrari, fittingly completed at Silverstone, scene of their first success, represents an emphatic confirmation of Williams' place in motor racing's annals.

But even as they drank to Jacques Villeneuve's victory in Sunday's British Grand Prix, the sense of impending eclipse pervaded the atmosphere. Perhaps they recognised an omen. In 1979, the year of Williams' maiden win, Ferrari had their last world champion. Events at Silverstone appear to have di-

verted far from the belief that Michael Schumacher will ride the Prancing Horse to the title this year.

Schumacher's pace, before a wheel-bearing failure brought him to a halt, provided further proof of Ferrari's advance and caused the Williams hierarchy to temper their celebrations. Frank Williams, who founded the company 19 years ago, paid tribute to those who had contributed to the winning formula, yet admitted he was relieved to bank the points from this race.

The season has followed the precise course he feared. Schumacher, the man he and most others acknowledge as a class apart, has been given a sufficiently improved Ferrari to outmanoeuvre his drivers, despite the fact that the Williams-Reynault is still the best in the field.

Patrick Head, Williams' partner, said: "It is going to be a tremendously hard struggle against Michael between now and the end of the year."

Helmut Krieger, Williams' technical director, said: "It is going to be a tremendously hard struggle against Michael between now and the end of the year."

Williams' first point for Arrows-Yamaha helped repair his image and recover some of his losses in Formula One's stock market. He must, however, be wary he does not price himself out of contention for a seat with a leading team.

Sunday's result appears to have done little to improve the situation at Arrows. It is thought both parties wish to split, the driver to find a more competitive car and the team to invest his £4.5m salary in research and development. Both consider the alliance a mistake and want to avoid losing face, so they are expected to part "by mutual agreement".

"Winning [a point] yesterday was very pleasing and I was delighted by the crowd's reaction," Hill said on Monday. However, long term, it is not enough. There's always going to be agitation when the car is not doing as well as it should. Tom [Walkinshaw, the Arrows team manager] is keen to get results, but to be honest, I can't make something of nothing. I need a decent car. Tom is very eager about what he has up his sleeve. It would be helpful if I had some idea of his intentions."

Paddock gossip indicates Hill has a new job lined up, but every source tends to point in a different direction. Some say Sauber, some McLaren, some Prost. Some tell you he is seeking \$10m (£6.25m) for his services, which might, of course, explain the contradictory stories.

It might also discourage would-be employers. A new generation of drivers has arrived in Formula One. They are young, talented, enthusiastic, committed – and cheap. Arrows are not alone in realising you need not spend fortunes on drivers, unless, that is, you can afford Schumacher. Benefactors are understood to be unloading the experienced and well-paid Juan Pablo Montoya on Sunday, and Gerhard Berger, to bring in Giancarlo Fisichella and Alexander Wurz, who was third at Silverstone as Berger's understudy. The word is that Alesi will be a direct swap for Fisichella, moving to Jordan. Hill, 37 in September, will be anxious not to miss out in the shuffle this time. Much could depend on the value he attaches to racing fulfilment.

Bastille Day misery for Boardman

ROBIN NICHOLL
with the Tour de France

Chris Boardman was among the casualties when the Tour de France exploded like a Bastille Day firecracker in the mountain mists of the Pyrenees yesterday. The British rider finished the 182 kilometres with two displaced vertebrae after crashing on the descent from the first of four mountains.

Almost 28 minutes after a jubilant Laurent Brochard celebrated the national festival with victory at Loudenvielle, Boardman rode in with a group containing Britain's other hope, Max Sciandri.

After a hospital check, Boardman said he would continue the Tour. "If it had been any other race I would have gone home," he said. "I have stressed the back of my neck, and it is difficult to turn my head. Otherwise I don't foresee any problems."

Since his Tour debut three years ago Boardman has been dogged by trouble. In 1995 he crashed minutes into the opening time trial in Brittany, fracturing his ankle and wrist. Then last year he suffered a digestive complaint.

Yesterday as Boardman was approaching team cars behind the main group, there was little visibility in the fog around the Col du Soulor.

"I made the mistake of watching another rider, and suddenly the road turned green," Boardman said. "I rode up a bank then fell into a ditch. I realised that I could not ride 130 kilometres on my own, especially with a mountainous 250 kilometre race next day, so I waited for a group of riders."

Boardman is now 27 minutes and 54 seconds behind the GAN colleague, Cedric Vasseur, who saved his yellow jersey of Tour leader by 13 seconds. The Frenchman arrived in the finishing straight with thousands of compatriots quietly counting down the time difference between him and the German Jan Ullrich until Vasseur crossed the

finish line. Now Ullrich, second last year in his first Tour, is poised for the famous colours. He finished fourth yesterday behind Richard Virenque, of France, and Marco Pantani, of Italy. They were 14 seconds behind Brochard, who fought off all-comers, including the three chasers, to claim the biggest victory of his racing life.

Ullrich was guarding Brochard's team-mate, Virenque, who fired off attacks that eventually shook Bjarne Riis, the 1997 Tour victor, out of a leading group as they tackled the final mountain, the Col d'Aspin. Riis was not dismayed with the outcome: "It is quite normal for me to have a difficult first stage in the mountains. I had problems on the last climb, and when Virenque attacked I had to let him go. Fortunately Jan [Ullrich] had a superb day. The real Tour is just beginning, and there is still a long way to go."

Boardman had predicted "an explosion" and the human debris was scattered along the Val du Louron with riders finishing more than half an hour after the podium ceremony. Two were eliminated for failing to beat the time limit and five retired.

The test of the day was the Tourmalet, where the road rises to 2,114 metres. Most of its 18 kilometres were covered with encouraging graffiti and fans of all nations, who had camped out overnight. They had come to see the suffering and the courage, and they were not disappointed.

The Tourmalet is one of the "giants" in Tour history. In 1913 Eugene Christophe contended the tour to the stories surrounding it. He arrived at the top with a massive lead but broke his front forks and had to walk 13 kilometres to St Marie de Campan at the foot of the mountain. There he repaired his forks in the village smithy, but was penalised by an official for accepting "outside help": a young lad had pumped the forge bellows.

For those who suffer in the Tour, Christophe could be their



Yesterday's stage winner, Laurent Brochard, is pursued to the line by one of the Tour's characters. Photograph: AP

patron saint. He was the first man to wear the yellow jersey when it was introduced in 1919, but his chance of keeping it vanished when again his forks broke. This time there was no smithy and he lost three hours. In 1922 his forks let him down again, but, undeterred, he raced on using the bike of a parish priest.

TOUR DE FRANCE, Nests stage (182km, Pau to Vallee Louron): 1. Brochard (Fr) 2h 24m 54s; 2. Virenque (Fr) 2h 25m 14s; 3. Riis (Dan) 2h 25m 14s; 4. Ullrich (Ger) 2h 25m 14s; 5. Pantani (Ita) 2h 25m 14s; 6. Brochard (Fr) 2h 25m 14s; 7. Virenque (Fr) 2h 25m 14s; 8. Riis (Dan) 2h 25m 14s; 9. Pantani (Ita) 2h 25m 14s; 10. Brochard (Fr) 2h 25m 14s; 11. Virenque (Fr) 2h 25m 14s; 12. Riis (Dan) 2h 25m 14s; 13. Pantani (Ita) 2h 25m 14s; 14. Brochard (Fr) 2h 25m 14s; 15. Virenque (Fr) 2h 25m 14s; 16. Riis (Dan) 2h 25m 14s; 17. Pantani (Ita) 2h 25m 14s; 18. Brochard (Fr) 2h 25m 14s; 19. Virenque (Fr) 2h 25m 14s; 20. Riis (Dan) 2h 25m 14s; 21. Pantani (Ita) 2h 25m 14s; 22. Brochard (Fr) 2h 25m 14s; 23. Virenque (Fr) 2h 25m 14s; 24. Riis (Dan) 2h 25m 14s; 25. Pantani (Ita) 2h 25m 14s; 26. Brochard (Fr) 2h 25m 14s; 27. Virenque (Fr) 2h 25m 14s; 28. Riis (Dan) 2h 25m 14s; 29. Pantani (Ita) 2h 25m 14s; 30. Brochard (Fr) 2h 25m 14s; 31. Virenque (Fr) 2h 25m 14s; 32. Riis (Dan) 2h 25m 14s; 33. 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